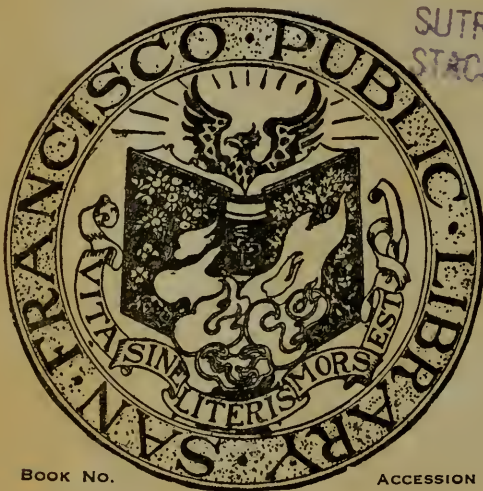


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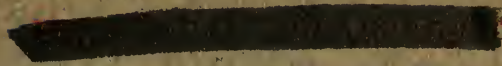
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No. 1

Charter Amendments and Propositions on the May Ballot

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"An incorporated non-partisan citizens' agency to study public business, co-operate with officials and specifically work for economy and efficiency in municipal affairs."

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Charter Amendments and Propositions on the May Ballot

CHARTER AMENDMENT No. 1

Revenue Bonds

This proposal amends two existing sections of the charter and adds a new section. Its general purpose is to authorize the use of "revenue bonds," to be payable both as to principal and interest, solely from the estimated or expected **net** revenue of the particular utility to be acquired or constructed out of the proceeds of such revenue bonds. Such bonds would be recommended by a **majority** vote of the Public Utilities Commission, approved by a **majority** vote of the Board of Supervisors and authorized by a **majority** vote of the people. Under the present charter, a **two-thirds** vote of the Board of Supervisors is required to submit a bond issue to the people. Following that, a **two-thirds** vote of the people is necessary to authorize the issuance of the bonds.

Obviously, the reduction from a two-thirds vote to a simple majority will make it easier for the City to go into debt, for the purchase or construction of utility projects. Some of these, as past analyses have shown, will be unsound and should not be acquired or constructed. It would seem that the safeguards against such acquisition or construction should be increased, rather than lessened, as proposed by this amendment.

Other Major Provisions of Amendment

Under the amendment, any proposed revenue bond issue would be based **solely** on the official estimates for the proposed project of (1) cost of purchase or construction, (2) gross revenue, (3) expenses of every kind and nature, including prior debt charges, and (4) estimated net revenue available to meet principal and interest payments on the proposed revenue bonds. Such estimates would be prepared under the direction of the Manager of Utilities and when submitted to the Board of Supervisors would be subject to check by the Controller. The high percentage of error in similar official estimates during recent years is discussed in the following.

The amendment provides that payment of the principal of the revenue bonds must commence within five years from the date of issuance and be completed in not more than 40 years from such date. It is provided that the bonds shall mature and be payable each year during the period for which the bonds are issued, in such amounts that the annual principal and interest payments, combined, shall be approximately equal each year, so that as the interest payments decrease the payments on the principal shall increase.

The amendment provides that the Public Utilities Commission shall establish "just and reasonable rates" for any service furnished to any existing utility by a utility acquired or constructed out of the proceeds of revenue bonds. It also authorizes the Public Utilities Commission to "fix a reasonable charge," which shall not be less than the reasonable

value thereof, for any service or products of an existing utility furnished to a "revenue bond" utility. These provisions authorize the interchange of service or products at less than cost. This power and authority can be used to transform the finances of a utility constructed or acquired out of revenue bonds from a deficit status into a profitable one, at the expense of the rate-payers or taxpayers supporting another utility.

The amendment requires that the revenues of any utility acquired or constructed out of revenue bonds shall be applied in the following order: First, to meet the cost of all operating expenses of the utility; next, to meet the cost of repairs and maintenance; third, to set aside all amounts necessary to provide for depreciation; fourth, to meet the payment of principal and interest on any general obligation bonds previously issued for the construction or acquisition of the utility; and fifth, to "net revenue," to meet the payment of principal and interest on the revenue bonds issued for the construction or acquisition.

Past Estimates of Expected Utility Revenues Have Been Erroneous

As previously stated, any proposed revenue bond issue would rest solely on official estimates of cost, expected gross revenues, expenses and net revenues of a given project. Such estimates in some cases would have to be made for a new or a competing utility, which would have no "earnings" experience" as a guide to accuracy of estimates. Past experience has proved that official estimates of utility costs, or revenues projected over a period of years into the future are likely to be wide of the mark. Examples of over-optimistic official estimates in the past, as compiled by the Bureau, are given below.

(1) In 1910, on the basis of official estimates, the people voted \$45,000,000 of bonds for the construction **and completion** of the Hetch Hetchy project. It was not officially admitted until 13 years later that this sum would be insufficient. In 1924 it was officially estimated that an additional \$33,000,000, making a total of \$78,000,000, would complete the works. To date the people, in five bond issues, have had to authorize \$89,000,000 of bonds for the Hetch Hetchy project.

(2) In 1922, the City, in predicting the future annual revenues of the Market Street Railway, over-estimated the revenues for 1933 by more than \$6,040,000. This was an over-estimate of 81.5%.

(3) For the eight-year period, 1926-1933 inclusive, the City over-estimated the Market Street Railway's gross revenue by more than \$26,800,000, an over-estimate of 37.2%.

(4) Official estimates relative to the Spring Valley purchase in 1928, predicted gross revenues for 1933 that were \$2,049,000 above the actual revenues, on the same schedule of water rates. This was an over-estimate of 31.6%. The official statement predicted and promised that beginning with the year 1933, the water utility would not only carry all of its own charges, but would also assume the full burden of bond interest

and redemption on all Hetch Hetchy bonds. The over-optimism of this estimate is indicated by the fact that during this fiscal year the taxpayers are providing over \$2,400,000, amounting to 33 cents in the tax rate, for Hetch Hetchy bond interest and redemption.

(5) Official estimates supporting the 1930 bond election for the acquisition of the electric power distributing systems of the Pacific Gas and Electric and the Great Western Power Companies over-estimated gross revenues for 1934 by more than \$6,450,000, an over-estimate of 44.7%. This difference would have changed an officially-estimated surplus into a large deficit for the year 1934.

(6) For the five-year period 1930-1934 inclusive, the official estimates of gross revenue of these power utilities were nearly \$16,000,000 in excess of actual revenue, an over-estimate of 21.1%. This is too great a divergence to be accounted for solely by depressed business conditions.

(7) In each of the above-mentioned cases the disparity or shortage in actual revenues, as compared with the City's official estimates, has grown greater with each succeeding year.

Had these railway and power utilities been acquired by revenue bond financing, on the basis of the erroneous estimates of revenue outlined above, street-car fares and rates for electric light and power would have had to be increased, or such bonds would now be in default, or both.

The Bureau's compilations showing the extent of error in official estimates issued prior to purchase proposals, when compared with actual revenue for the various utilities, are shown in detail in the following tabulation:

	Market Street Railway Purchase Proposal; Est. Made in 1922	Spring Valley Water Co. Purchase; Estimates Made in 1928	Electric Distribution System Purchase Proposal; Est. Made in 1930
1933 Estimated	\$13,449,000	\$8,520,000	.....
1933 Actual	7,407,416	6,471,063	.....
<i>Deficiency</i>	<i>—6,041,584</i>	<i>—2,048,937</i>	.....
Per Cent Rate of Error.....	81.5%	31.6%	.....
1934 Estimated .....	.....	.....	\$20,878,000
1934 Actual .....	.....	.....	14,423,225
<i>Deficiency</i> .....	.....	.....	<i>—6,454,775</i>
Per Cent Rate of Error.....	.....	.....	44.7%
1926-33, incl. Estimated	\$98,842,000	.....	.....
1926-33 incl. Actual	72,034,476	.....	.....
<i>Deficiency</i>	<i>—26,807,524</i>	.....	.....
Per Cent Rate of Error.....	37.2%	.....	.....
1930-34 incl. Estimated .....	.....	.....	89,157,000
1930-34 incl. Actual .....	.....	.....	73,318,489
<i>Deficiency</i> .....	.....	.....	<i>—15,838,511</i>
Per Cent Rate of Error.....	.....	.....	21.1%

Amendment Reduces Legal Safeguards on Incurring Debt

As previously stated, any revenue bond issue for the construction or acquisition of any public utility could be submitted to the people by a **majority** vote of the Board of Supervisors **instead of the two-thirds vote** that is now required and such a revenue bond issue could be authorized by a **majority** vote of the people **instead of the two-thirds vote** that is now required. The fundamental basis for any revenue bond proposal would be the official estimates of cost, revenues, etc.

Reference has been made in the foregoing to the large errors made in the past—ranging from 21 to 81 per cent—in the official estimates of revenue to be derived during some future period from proposed utility projects. The same type and extent of error and over-optimism may easily occur in the official estimates compiled in the future for proposed projects to be financed by revenue bonds.

Removal of the requirement of a two-thirds vote of the Board of Supervisors to submit, and a two-thirds vote of the people to approve, any revenue bond issue, breaks down sound and effective safeguards that are set up in the charter and the State Constitution. These safeguards have not resulted in the defeat of any worthwhile municipal project. The voters of San Francisco have given a two-thirds affirmative vote to every bond issue that they have felt has been justified. This was the case on the \$6,500,000 Unemployment Relief Bond issue in 1932; likewise the \$6,500,000 Hetch Hetchy bond issue of the same year; and also the six bond issues aggregating \$23,480,000 (water, dam, sewer, high pressure, airport and schools) in 1933. During the last six years, the entire period of the depression, the people have authorized, by two-thirds vote, the issuance of bonds totalling \$39,830,000.

Effect of Amendment on City's Credit

When the proposed amendment was under consideration by the Supervisors, it was opposed by various taxpayers', business and civic organizations. These included the Municipal Bond Dealers Association, representative of the local banks and investment banking houses that have purchased and marketed practically all of San Francisco's bonds. The Association contended that the amendment would remove essential safeguards on the incurring of debt and that it would have an injurious effect on San Francisco's credit.

The City's credit standing today is among the highest of any of the large municipalities in the country. This is due largely to existing State constitutional and city charter safeguards relative to incurring debt, requiring the City to operate on a cash basis, providing for the utmost degree of safety in depositing and handling public funds and in temporary

borrowing in anticipation of tax collections, etc., and similar provisions dealing with the City's other fiscal operations.

Should any utility be acquired or constructed out of the proceeds of revenue bonds and, under actual operating conditions, the **actual** net revenues prove to be lower than previous official estimates and insufficient to meet the principal and interest on revenue bonds, such revenue bonds would be in default. It has been contended that investors would not distinguish between revenue bonds of San Francisco and the general obligation bonds of the City, with the result that the City's credit would be injured and all San Francisco bonds, outstanding and future, would depreciate in the investment market.

It has been contended, likewise, that in any case of revenue bond default the argument would be made that the City of San Francisco had a moral obligation to restore the investment of the revenue bondholders and that in the interest of equity and to restore San Francisco's credit standing, general obligation bonds should be voted to refund the revenue bonds that were in default. Although such a course could not be followed under the proposed Amendment No. 1, it could be authorized in the future, in a situation such as has been outlined, by a vote of the people.

The proponents of the measure urge, as an argument for its adoption, the use of revenue-bond legislation in other jurisdictions, and for financing the construction of the San Francisco-Oakland Bay Bridge. As to the latter project, it is one specific project, not a general revenue-bond authorization, such as Amendment No. 1; its gross revenue, on the basis of experience, could be conservatively estimated as heavily in favor of the project paying its way; and, finally, the revenue bond interest and redemption charges are a first lien against **gross** revenue, before operation, maintenance, prior debt charges and depreciation—the exact reverse of the set-up under Amendment No. 1.

As to the experience under revenue bond legislation in other jurisdictions: We are advised that revenue bonds are authorized and issued in eleven states. With two or possibly three exceptions, revenue bond issuance has been restricted to **non-competitive, water** revenue bonds. The exceptions, power bonds, have required excessive interest rates, considerably higher than interest charges on general bonds of the same municipality—therefore, an extra burden on the rate-payers.

Water revenue bonds have proven to be sound in most of the states authorizing them. It is to be noted that the revenue bonds issued in the various states are almost exclusively **water revenue bonds**. It has been proved that water revenues have held up, except for decreased usage in the average of 20% for industrial purposes, despite increased rates or depression conditions. In discussing Amendment No. 1, however, we are not considering a **non-competitive water** revenue bond

authorization, but, according to the sponsors of the amendment, a power revenue bond authorization, under **competitive** conditions—speculative, uncertain and hazardous.

Announced Purpose of the Amendment

The principal sponsor of the proposed amendment advised the Board of Supervisors that the amendment was necessary in case the Secretary of the Interior, following the hearing in Washington on May 6th, should advise the City that its present method of disposal of Hetch Hetchy power, through an agency agreement with the Pacific Gas and Electric Company, is illegal, and that the City should distribute its own power. In such event, or without such an "ultimatum," it was argued that the existing distributing system of the privately-owned company could be acquired, out of the proceeds of revenue bonds or the City could construct its own system for the distribution of Hetch Hetchy power.

On the basis of many legal analyses made during the ten-year period that the agency contract for the disposal of power has been in effect, the Bureau believes that the legality of this agreement will be upheld and that it will be construed as not in violation of any provision of the Raker Act. In 1925, the City Attorney, in a brief filed with the then Secretary of the Interior, upheld the legality of the agreement. Various attorneys consulted by the Bureau during the period that the contract has been in effect have all held that the contract is legal.

In addition, it is probable that the Secretary of the Interior has no authority under any provision of the Raker Act, either to force the termination of the contract and the waste of electrical energy for which the City now receives over \$2,000,000 per year, or, on the other hand, to force the City to acquire a distribution system for the municipal distribution of Hetch Hetchy power. The Supreme Court of California, in the case of Uhl vs. Badaracco, held that "Congress has no power to create or force a public utility on the City." From this it would follow that the Secretary of the Interior would also lack "power to create or force a public utility on the City."

The proposition of whether municipal distribution of power—either (1) on a city-wide, non-competitive scale or (2) on a partial and competitive scale—would produce sufficient net income to justify the issuance of revenue bonds, is too detailed and involved to be discussed at length here. Suffice it to say that the Bureau's analysis of the financial results of municipal distribution of light and power on a city-wide, non-competitive scale—such analysis having been made in connection with the 1930 bond election for the acquisition of the privately-owned systems—indicated that such net revenues would be insufficient to carry the principal and interest costs on revenue bonds at the existing rates.

Revenue bond financing for such a project would almost certainly involve an increase in the rates for electric light and power.

Likewise, the Bureau's estimates of a partial distribution system under competitive conditions—which estimates were made in 1933 in connection with the then proposed \$6,308,000 power partial-distribution proposal—indicated that the net revenues from operation would be insufficient to meet revenue bond interest and redemption and that to make up such deficiency an initial increase of about 12% over the present rates for electric light and power would have to be made. Under competitive conditions, such a rate increase would have meant no customers, and a default on the bonds.

Conclusion

Charter Amendment No. 1 appears to be unnecessary and undesirable. It removes safeguards on the incurring of additional municipal debt. It bases the increase of city indebtedness on enthusiastic official estimates which, in the past, have always been far above actual revenues received. It would undoubtedly have an adverse effect on the City's present high credit standing. It has none of the virtues attributed to revenue-bond legislation elsewhere. It is contrary to the conservative fiscal policies set up in the new charter.

CHARTER AMENDMENT No. 2

Referendum

This proposal amends two sections of the charter to provide for the effective operation of the referendum provisions of the State Constitution. Under the present charter, all ordinances, except emergency ordinances passed by three-fourths vote of the Supervisors and which take effect immediately, go into effect ten days after their final passage by the Supervisors. Obviously, this ten-day period is too short to permit of the circulation of petitions and the securing of sufficient signatures to "hold up" the ordinance until it has been submitted to the voters.

This proposed amendment would require that ordinances dealing with legislative matters, and therefore subject to the referendum provisions of the State Constitution and the Charter, shall not become effective until thirty days after passage. Other ordinances will continue to go into effect ten days after passage, and emergency ordinances will continue to go into effect immediately.

The amendment provides that if, before any ordinance involving legislative matters becomes effective (30 days) there should be filed with the Supervisors a petition signed by electors equal to at least 10% of the entire vote cast for all candidates for Mayor at the last preceding election, protesting the passage of such ordinance, such ordinance shall

be reconsidered by the Supervisors. If not repealed by the Board, it shall be submitted to vote of the people at the next general municipal election or at a special election called for the purpose.

The amendment specifies that the annual budget, appropriation, salary and tax rate ordinances shall not be considered as legislative matters subject to referendum; likewise, ordinances authorizing the City Attorney to compromise litigation or to enable the Mayor to carry out powers vested in him in case of a public emergency as defined in Section 25 of the charter.

As previously stated, the powers of referendum (also initiative and recall) are vested in the people by the Constitution, with the specific provision that such powers shall not be abridged by any statute or city charter. It is probable that in any case where the present provisions of the charter, under which ordinances take effect within ten days, had interfered with the right of referendum, the courts would declare such ordinance illegally enacted, by virtue of the fact that the short time limit served to deprive the people of a constitutional right.

CHARTER AMENDMENT No. 3

One-Half Cent Tax for Symphony Orchestra

This proposal would amend Section 78 of the charter, dealing with tax levy, to provide an additional mandatory tax of $\frac{1}{2}$ cent per \$100 to the Art Commission each year for the purpose of maintaining a symphony orchestra. This tax would raise about \$34,000. The charter now provides fixed tax rates or appropriations for libraries, parks, playgrounds, civil service and the M. H. deYoung Memorial Museum. During the discussion of the measure before the Supervisors, it was stated that this sum would be inadequate to organize and maintain a symphony orchestra (normal annual cost approximately \$250,000, revenues \$100,000, deficit or private subscriptions \$150,000). It was stated that the fund would be used as a municipal subsidy to supplement the present private financing of the symphony, and that the Art Commission would enter into contract with the San Francisco Symphony Association for a certain number of symphony concerts at popular prices.

The City now appropriates \$5,000 a year for the symphony out of the publicity and advertising fund, also \$3,500 for the Summer Symphony. Appropriations for music are also made to the Art Commission—\$15,000 for the Municipal Band and \$7,500 for "pop" concerts.

It is contended by those opposing this measure that the maintenance of a symphony orchestra is not a municipal function and should not be subsidized by the City; that the adoption of this amendment will lead to undesirable political interference in symphony affairs; that the inclu-

sion of an additional mandatory charge against municipal revenues is undesirable, particularly at this time; and that the large sums paid to conductors and the high rates paid to the members of the orchestra are largely responsible for the present inability to finance the symphony by private subscription.

It is contended by those favoring the measure that the maintenance or the subsidizing of a symphony orchestra as a municipal function is proper; that although a relatively small number of citizens may enjoy or be benefited by symphony concerts, the same point could be raised against other functions that are carried out by the City in the interests of groups of our citizens, such as the Municipal Opera House, the War Memorial and Art Gallery, the M. H. deYoung Memorial Muesum, the California Palace of the Legion of Honor, the Yacht Harbor and others; and that the development and maintenance of the Symphony, the Summer Symphony and the San Francisco Opera Company has been and will be of benefit to the City as a whole.

CHARTER AMENDMENT No. 4

Official Newspaper

This proposal would modify the charter definition of the "official newspaper," which is selected each year on the basis of competitive bidding, for the publication of ordinances and other official notices. The present requirement is a local **daily** newspaper of **general** circulation, which has a bonafide daily circulation of **at least 8,000 copies**. The amendment would omit the 8,000 minimum and specify a local daily newspaper of **general** circulation published in English continuously as a local **daily** for three years.

The City has appropriated \$30,000 during the current year for the publication of ordinances and resolutions. It is contended that this proposal, if adopted, will result in a saving. As far as the Bureau can ascertain, only two other **daily** papers—one a trade journal and the other dealing primarily with legal notices and court matters—with a maximum daily circulation of 2000, would be eligible for use by the City as the official newspaper. It is possible that neither of these would qualify as "of **general** circulation."

Publication of official advertising in a small paper would probably save some money. The value in the publication of notices of proposed permits to be granted, ordinances and resolutions adopted or to be adopted, the proposed annual budget and salary ordinances, etc., is largely in the widespread circulation of such notices, and such value would be lost if the advertised matter is buried in a small publication that would not come readily and regularly to the attention of a large number of San Francisco's citizens.

CHARTER AMENDMENT No. 5**Police Pension Changes**

This proposal, recommended by police officers, would make two changes in present charter provisions dealing with pensions for police officers who were members of the Department on January 8, 1932, when the new charter took effect. The present charter provides a half-pay pension to the widow or dependents of a police officer who, having been injured in the performance of duty and continuously incapacitated, dies from the injury. It is stated that in a recent death resulting from injuries received in line of duty, the fact that the officer had returned to his work for a short period after suffering the injury had caused a question to be raised as to the right of his widow to a pension. To correct this situation, the amendment provides that a pension shall be paid when an officer, injured in the performance of his duties, dies as a result thereof within three years from the date of the injury. This seems to be an equitable provision.

The other change made by the amendment is to give to the "old" members of the Police Department (those in the Department on Jan. 8, 1932) another opportunity, individually, to become members of the Retirement System, subject to the same contributions and benefits that apply to "new" members of the Department—those appointed subsequent to January 8, 1932. The charter, as drawn by the freeholders, provided for such an option to be exercised in writing on or before July 1, 1932, and 34 "old" members took advantage of this provision before it expired.

It is probable that since the expiration of this option, various "old" members of the Department have recognized the advantage of membership in the new system. They have proposed that they again be given the privilege of exercising such option, such privilege to expire on January 1, 1936.

The Retirement System applicable to "new" members of the Police Department is on a sound, actuarial basis under which the City and the members contribute jointly month by month as service is rendered. It is desirable in the interests of the City to have a maximum number of police officers members of the new system because of the unsound set-up and large deficit that has accrued under the old pension system.

CHARTER AMENDMENT No. 6**Ten Percent Preference on Local Contract Work**

This proposal amends Section 98 of the charter dealing with contractors' working conditions. The amendment would authorize the Board of Supervisors to allow a 10% preference in price on contracts for the purchase or manufacture of local materials as against similar

materials manufactured outside of the city and county. The San Francisco Labor Council contends that this amendment and the 10% preference in price is necessary to keep contracts and sub-contracts for mill work in San Francisco; that many such contracts have been secured by firms manufacturing or fabricating their materials in plants outside of the city under lower wage rates.

This condition is probably due to the "contract wage ordinance," urged by the Labor Council and adopted last year by resolution of the Board of Supervisors. Many of the rates fixed in such wage scale were considerably higher than the "highest general prevailing rates" in private employment in San Francisco, as determined by the Civil Service Commission, and higher also than the rates required by the Federal Public Works Administration to be paid on San Francisco work financed in whole or in part by Federal PWA loan or grant funds.

It seems absurd to attempt to enforce a wage scale, providing for many rates in excess of the highest paid in private employment or by other nearby public agencies, by the device of adding to any local bid a sum up to 10% of the bid, in purchases or on contract work, for materials manufactured or fabricated within the City.

The adoption of this amendment would increase the cost of many kinds of work performed under contract in the construction of schools and other city buildings, and would likewise increase the cost of many items purchased by the City, by a maximum of 10%. This is equivalent to \$100,000 on each one million dollars of such expenditure. The amendment might also have the effect of barring all "outside" materials, equipment, etc., and offer a means whereby bidders on "local" materials may increase their bids by more than the 10% preference.

Instead of the proposed 10% preference, with its unnecessary and unjustified additional cost to the taxpayers, the Supervisors could probably meet the situation by re-enacting a contract wage scale at rates not in excess of the "highest general prevailing rates" in private employment in the City and as paid by other public agencies in the vicinity.

CHARTER AMENDMENT No. 7

Supervisors' Investigations

This proposal would amend Section 21 of the charter, which vests power of hearing, inquiry and subpoena in the Board of Supervisors, the Mayor and other City officials. The section, as it now reads, vests ample power in the Board of Supervisors for any proper investigation that is authorized by vote of the Board.

The proposed amendment would continue and amplify the present powers of Supervisors to investigate any office or department of the city

and county and to require department heads to appear with any necessary books or records required. This appears to be redundant and a reiteration of power already included in Section 21.

Due to the conditions under which the amendment is proposed, it is probable that, if the amendment is adopted, it will be considered as nullifying the provisions of Section 22 of the charter which prohibit the Board of Supervisors, its committees and members, from dictation, suggestion or interference with "appointments, promotions, compensations, disciplinary actions, contracts, requisitions for purchases or other administrative recommendations or actions" of the chief administrative officer or any department head.

The effect of this prohibition or interference by the Supervisors in administrative affairs has been highly beneficial during the three years that the new charter has been in force and effect. Responsibility for efficient administration may be weakened by the adoption of the proposed amendment, which might be deemed to again vest power in the Board of Supervisors to deal with administrative affairs. The record of supervisorial control and interference in administrative affairs under the old charter was one of the prime reasons for the drafting, and adoption by the voters, of the new charter.

ORDINANCE

Requiring Two-Man Street Car Operation

This ordinance would require that every street railway car carrying passengers shall be in charge of a motorman and conductor. Its chief proponent, the President of the San Francisco Labor Council and also of the Carmen's Union, advised the Board of Supervisors that it would have no effect on the operation of one-man cars by the Market Street Railway, the legality of which is now being determined by the Federal courts. He advised the Board that the principal intent of the ordinance was to prevent operation of one-man cars by the Municipal Railway, in the event that the courts hold that such operation by the Market Street Railway is legal.

From a legal standpoint, a favorable vote on this ordinance can be nothing more than advisory to the Public Utilities Commission. Under the charter, Section 121, the Public Utilities Commission is given "charge of the construction, management, supervision, maintenance, extension, operation and control of all public utilities . . . owned by the city and county." This includes the power to determine whether cars shall be operated by one man or two, as well as all other operating details of the Municipal Railway.

It is fundamental that powers vested in an official or a board by provisions of the charter cannot be modified or taken away by ordinance,

regardless of whether the ordinance is adopted by the Supervisors or, as is proposed in this case, is adopted by a vote of the people. The measure, therefore, could have no controlling legal force or effect if adopted. In addition, it is obvious that if the Market Street Railway Company operates one-man cars, the Municipal Railway will be at a disadvantage, in competitive territory, if it is restricted to two-man cars.

DECLARATION OF POLICY

Bay Bridge Exposition in 1938

The three questions of policy dealing with the Bay Bridge Exposition in 1938, and the entire subject matter out of which these questions of policy arose, have been so exhaustively discussed in the press that they will be dealt with here only in very brief compass.

Question No. 1 reads as follows: "*Shall an exposition to celebrate the completion of the bay bridges in 1938 be held on the mainland of the City and County of San Francisco within the range of a five-cent fare?*"

Out of the many discussions on this subject before the Board of Supervisors it appears to be an admitted fact that an exposition could not be completed by 1938 on any mainland site.

The directors of the San Francisco Bay Exposition, Inc., representing practically all of the responsible financial interests in the community, have stated that they cannot accept financial responsibility for an exposition held on any of the nine or more proposed sites on the mainland.

One point in connection with a mainland site is worthy of special comment. The Exposition Company and the proponents of the mainland sites count on a Federal appropriation of \$5,000,000 towards the cost of constructing the exposition. All but one of the nine or more mainland sites are privately-owned. It has been the policy of the Federal government in its PWA and CWA appropriations to make no federal loans or grants of funds to improve or enhance the value of private property. This policy will, no doubt, be continued under the new work-relief program of the Federal government.

Question No. 2 reads: "*Shall an exposition to celebrate the completion of the bay bridges in 1938 be held on Yerba Buena Shoals?*"

The directors of the Exposition Company have undertaken to finance an exposition on this site, to be held in 1938 without recourse to a bond issue or the appropriation of San Francisco public funds. They have stated that their recommendation in favor of this site as the most desirable one for the proposed exposition and their statement that such an exposition can be financed without bond fund or tax fund appropriations was reached as a result of a study of this site in comparison with all of the major proposals for a site on the mainland. The Manager of Utilities

has advised the Supervisors that the development, to be used as a supplemental airport by the City after the Exposition, will represent a value of over \$3,500,000 to the City.

Question No. 3 reads: "*Will you favor a bond issue, if needed, to finance an exposition on the mainland?*"

This question is an idle one, and a favorable vote on it at this time would be meaningless. A bond issue to finance an exposition could not be submitted to the people until an amendment to the Constitution is submitted to and approved by the voters of the entire state. It is probable also that a charter amendment would be required. A constitutional amendment, if not submitted at this session of the Legislature—and such submission appears to be extremely unlikely—could not come to a vote of the people until November, 1938. Therefore, a bond issue could not be submitted to the people until 1939, by which time the period of the prospective 1938 exposition would have elapsed.

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The City

A Publication Devoted to the Promotion and Application of Scientific Principles of Government

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No. 2

State Propositions on the August 13th Ballot

1. Legalizing State Building Bond Act of 1935.
2. Authorizing State's Borrowing Money in Anticipation of Taxes and Revenues.
3. Rector Dam Project.

Issued by the
San Francisco Bureau of Governmental Research

58 Sutter Street, San Francisco, California

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State Propositions on the August 13th Ballot

Proposition No. 1

LEGALIZING STATE BUILDING BOND ACT OF 1935

This proposition would add a new section 11 to Article XVI of the Constitution for the purpose of ratifying and validating the State Building Bond Act. This was adopted by the Legislature as Senate Bill No. 1120.

The Act appropriates and authorizes the creation of a bonded debt of \$13,950,000 to be expended for the following purposes:

1. To reimburse the general fund for expenditures for major construction, improvements and equipment at State institutions, such expenditures to be made out of budget appropriations for the current biennium. (It is estimated that this reimbursement, if made, will require \$3,835,500 of the bond issue, leaving a balance of \$10,114,500 for other construction. The Act provides as an alternative that, before authorizing any expenditures which would reduce the unencumbered balance of bond funds below this \$3,835,500, the State Building Commission shall secure certification from the Governor that the payment out of bond funds to reimburse the general fund is not required and may be expended for major construction at State institutions.)

2. For the purchase of a site and the construction of a State prison in Southern California. Under the provisions of another act, Assembly Bill No. 703, the expenditure for this purpose may be limited to \$400,000, although this is the estimated cost of the site, only. The total estimated cost of the prison is reported as \$3,500,000.

3. For permanent improvement to State institutions, the State Capitol and the construction of a wing or wings to the State Building in Los Angeles.

4. To meet the cost of preparing and selling the bonds and the cost of administering the expenditure of the bond fund proceeds.

5. In the event that there is any excess after the above purposes are carried out, such excess may be used for the construction or improvement of buildings for institutions supported in whole or in part by the State.

The administration of the Act is vested in a State Building Commission composed of the Director of Finance, Director of Institutions, Director of Public Works and two members to be appointed by the Governor. The Act also creates a State Building Finance Committee with authority to determine, on the basis of recommendations by the State Building Commission, whether or not bonds shall be issued and sold to carry out the purposes of the Act. This committee will be composed of the Governor, Controller, Treasurer, Director of Finance and Attorney General. It is empowered to authorize issuance of bonds, determine the dates of issuance and the maturity, and to fix the rate of interest at not to exceed 5%.

The Act provides that the bonds shall be serial bonds and, as far as practicable, the maturities shall be so fixed as to require approximately equal annual payments, beginning in 1937 and terminating in 1957.

Proposed Construction Program

The \$3,835,500 major construction program already provided for out of general fund appropriations for the current biennium, and estimated to provide 2794 additional beds, includes the following:

Repairs to State Capitol.....	\$ 66,000
Camarillo State Hospital, Ventura County.....	1,890,000
Norwalk State Hospital, Los Angeles County.....	130,000
Patton State Hospital, San Bernardino County.....	380,000
Mendocino State Hospital, Mendocino County.....	320,000
Stockton State Hospital, San Joaquin County.....	1,049,500
	<hr/>
	\$3,835,500

The following projects to be financed out of the remaining \$10,114,500 of bonds funds, are reported by the Director of Institutions as follows:

Agnews State Hospital	\$ 870,000
Mendocino State Hospital.....	385,000
Napa State Hospital.....	580,000
Camarillo State Hospital.....	1,235,000
Patton State Hospital.....	320,000
Pacific Colony	765,000
Sonoma State Home.....	575,000
	<hr/>
	\$4,730,000
Southern California Prison.....	3,500,000
	<hr/>
	\$8,230,000

The balance, \$1,884,500, is to be applied to improvements to the State Capitol and the construction of two wings at the State Building in Los Angeles.

There is general agreement that various of the State institutions are and have been seriously overcrowded, and that the proper care of the inmates or patients in State prisons and hospitals can be secured only by extensive additional construction and equipment. It would be much more economical, and a sounder policy for the State to follow, if such construction and equipment could be based on a specifically defined program to be carried out over a period of years and to be financed out of the current revenues of each biennium included in such period. Such a program may be impossible at this time, when the State has had to raise \$95,000,000 in new revenues for the current biennium and still may be short of a balanced budget.

However, it does not appear to be a sound fiscal policy to appropriate \$3,835,500 in the budget for the current biennium for the construction and improvement of State institutions on the pay-as-you-go plan and then, as provided by the Act, arrange to refinance this by using the

proceeds of bond issues having a life of 23 years to repay the general fund.

Specific Program Not Outlined

The State Building Bond Act is unique in that it provides a blanket grant for the construction and improvement of state buildings and institutions without enumerating the specific projects and the estimated cost of each. It may be expected that, with the administration of the Act vested in a State Building Commission, subject to check as to financial policy by the State Building Finance Committee, the program of construction on which the \$13,950,000 bond issue was based, will be carried out. However, from the standpoint of the people, and also that of the State administrative officials, the allocation of bond funds for specified projects and in specific amounts, is to be desired.

It is stated that the adoption of this constitutional amendment will enable the State to participate in the Federal Public Works program, and therefore that the amount of construction contemplated under the Act may be increased materially. The normal participation of governmental units in the Federal Public Works program has been to use Federal funds to offset or cancel part of the total cost, rather than using such funds to expand the proposed program.

If all of these projects are eligible for approval under the new Federal program—under which the Federal Government will grant 45% of cost, if the State finances the remaining 55%—the \$13,950,000 construction program may be expanded to a total of over \$25,000,000. It would appear to be better policy to provide, by specific provision of the Act, that the amount of Federal grant—\$6,272,500 on a 45% basis—be used to reduce the taxpayers' cost of the proposed \$13,950,000 building program.

In conclusion, it may be said that the need for additional construction and improvement is a pressing one to eliminate the overcrowding of State hospitals, prisons and other institutions. The appropriations in the budget for the current biennium, totalling \$3,835,500, will cover a part of the necessary program. In view of the present condition of State finances which have necessitated very heavy increases in taxation, it is a question whether the completion of the necessary building program could be spread over the next few years on the pay-as-you-go basis with appropriations in each biennial budget therefor, or, on the other hand, must be taken up as a whole at this time and financed out of the proceeds of the proposed \$13,950,000 bond issue.

Proposition No. 2

AUTHORIZING STATE'S BORROWING MONEY IN ANTICIPATION OF TAXES AND REVENUES

This proposition would add a new section 17 to Article XIII of the Constitution. It would authorize the State to borrow funds, through the

issuance of notes or other evidences of indebtedness, in anticipation of the collection of taxes and other general fund revenues, for the purpose of making expenditures under duly authorized budget appropriations from the general fund. Such temporary or short-term borrowing would be limited as a maximum to 50% of the amount of such revenues that had been paid into the general fund during the preceding fiscal year—about \$50,000,000 on the basis of last year's revenues. All sums so borrowed, with interest thereon, must be repaid from the general fund, out of tax collections and other general fund revenues, within one year of the date of borrowing.

The amendment confirms and ratifies an act adopted by the 1935 Legislature, Senate Bill No. 708, relating to the borrowing of money by the State in anticipation of the receipt of taxes and revenues. Such act creates a Board, comprised of the Controller, Treasurer and Director of Finance, to carry out its provisions. When such Board shall determine that the money in the treasury is insufficient to meet necessary general fund expenditures that have been authorized by budget appropriations, it shall have authority, with the approval of the Governor, to borrow money to meet such expenditures. The Board is empowered to determine the form, number and denomination of the notes to be issued and sold, the date of issuance and maturity thereof, and the rate of interest or discount, which shall not exceed 4%. Such notes shall be sold after calling for bids thereon, and when so sold, the Treasurer shall issue notes in such form and denomination as the Board shall determine.

The act provides that the State shall never contest the validity of the notes issued and sold under the provisions of the act after actual payment of the purchase price of such notes is made to the Treasurer. If, for any reason, the notes cannot be paid on the date of maturity, they shall continue to bear the interest rate fixed at the time of their sale until the notes are called for payment—or, if sold on a discount basis, an interest rate of 5% until paid.

The intent of this legislation is to permit the State to borrow necessary funds on negotiable short-term notes, in lieu of the present practice of issuing warrants to employees and vendors and having such warrants registered and carried by the banks at 5% interest (as non-negotiable paper) until taxes and other general fund revenues are actually paid into the Treasury. The sponsors of the measure estimate that the State will save over \$1,500,000 in interest charges during the current biennium in addition to eliminating the present cost of registering and redeeming the registered warrants. Sponsors of the amendment believe that the State will be able to secure necessary funds on the short-term notes provided by the act at an interest rate of 1%. San Francisco, which by charter has similar provision for short-term borrowing in anticipation

of the collection of taxes, has been able to sell its notes, which have a term of about three months, at interest rates ranging from 1.5% down to 0.343%.

Consultation with investment bankers and municipal bond dealers who are primarily interested in maintaining the sound credit of the State, indicates that in their opinion the short-term borrowing as authorized by the act is surrounded with every necessary safeguard.

Proposition No. 3 RECTOR DAM PROJECT

This proposition would add a new section 12 to Article XVI of the Constitution. It authorizes the Director of Finance to enter into contract with the Rector Dam Authority (created by Assembly Bill No. 670) for delivery of water to State institutions upon terms and conditions to be prescribed by the Director of Finance. The Director of Finance is authorized to pledge the credit of the State in an amount not exceeding the sum which the Rector Dam Authority agrees to pay the Federal Government, over a period not to exceed 50 years, for any Federal loan made to or accepted by the Rector Dam Authority for the construction of a dam and water distribution system. The execution of the aforesaid contract is contingent on the Federal Government making a grant, a loan, or a loan and grant to the Authority for construction of these works.

Assembly Bill No. 670 creates the Rector Dam Authority, to be comprised of the Director of Public Works, the Director of Finance, Controller and two persons to be appointed by the Governor. The Authority is empowered to determine the best method of erecting the proposed dam and of distributing water to the public or municipalities or districts, or State institutions; to acquire real and personal property, rights and easements, and to construct the necessary works; to issue revenue bonds to the Federal Government in such amount as will be required to construct the works, and to operate these until they are self-supporting; to accept grants or donations toward the cost of the dam; to fix rates for water so that at all times revenues will be sufficient to meet costs of operation, maintenance, interest and bond redemption.

It is provided that if the Authority enters into contract (with the Director of Finance) for delivery of water to any State institution, the State appropriation for such institution shall be first applied to the payment of such contractual obligations. The Act also provides that the revenue bonds shall be a lien on all property under the jurisdiction of the Authority, and in event of default, bondholders may bring action for recovery in the same manner as if the Authority were an individual, and if recovery is had, execution may be levied upon any property acquired by the Authority.

It is stated that an ample supply of water is available in Rector Canyon to supply several State institutions in the Napa Valley, each of which has insufficient water supplies. The estimated cost of the dam and distribution system is reported as \$900,000. Of this, \$400,000 is expected as a grant from the Federal Government. The remaining \$500,000 is to be raised by revenue bonds, to secure a Federal loan of this amount, such bonds to be retired out of payments made by these several State institutions for the water furnished to them.

The legislation appears to be quite complicated. The credit of the State would be pledged for an unspecified amount, the maximum being determined only by the amount of Federal loan to be made to the Rector Dam Authority. The maximum life of the bond issue, 50 years, seems excessive for such a project.

Although the stated purpose of the legislation is to impound water solely for distribution to several State institutions, Assembly Bill No. 670 places no such restrictions and specifically provides for the distribution of the water to the public and to other governmental agencies.

Although the Act is ostensibly a "revenue" bond measure, the only institutional revenues that will be available to pay for the water and in turn be used for bond interest and redemption payments, will come from the general fund of the State. It is specifically provided that State appropriations for these various State institutions shall be first applied to the interest and redemption on these so-called "revenue" bonds. The complicated provisions of the legislation simply establish an indirect method of meeting bond interest and redemption charges.

It is not apparent why this project was not set up as a direct State bond issue proposition for \$500,000, the estimated share of the total cost to be borne by the State, and such expenditure to be contingent on a Federal grant toward the total cost; or why such project was not, or could not be, established as part of a State building program to be completed on the pay-as-you-go plan by a current biennial appropriation.

The official statements would indicate that the project is a desirable one, located on State property, and to be used to furnish adequate water supplies to nearby State institutions. The method of carrying out this project, outlined in Proposition No. 3 and Assembly Bill No. 670, appears to be highly complicated and involving a high charge for interest over a long period. Insofar as Federal aid is concerned, there would appear to be no reason why this project could not have been provided for out of current State revenues with the expectation that the Federal Government would provide 45% of the cost under its new PWA regulations.

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Vol. XV.

OCTOBER 11, 1935

No. 3

Proposed Charter Amendments on the November 5th Ballot

1. Placing Park Department Employees under Civil Service.
2. Placing "Institutional Help" of the Health Department under Civil Service.
3. Placing Employees of the California Palace of the Legion of Honor under Civil Service.
4. Placing Airport Employees under Civil Service.
5. Providing for Investigations by the Police Commission of all Matters Affecting or Relating to the Affairs of the Police Department.
6. Regulating the Manner of Holding Civil Service Examinations.

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PROPOSED CHARTER AMENDMENTS ON THE NOVEMBER BALLOT

Of the six charter amendments that will appear on the ballot at the election of November 5, 1935, the first four have several features in common. Therefore, in this analysis, the common features of Amendments 1, 2, 3 and 4 are first outlined and discussed, and then the special features of each of these amendments, and the provisions and effect of Amendments 5 and 6, are outlined.

CHARTER AMENDMENTS 1, 2, 3 AND 4

These four amendments were proposed separately by the employees of the respective departments for the purpose of "blanketing in" such employees under the civil service provisions of the charter, and providing that in the future any vacancies in their positions shall be filled in accordance with civil service procedure. Each of these amendments, in some respects, establishes principles that are contrary to fundamental provisions of the charter.

Amendment No. 1 would "blanket in" such of the 550 employees of the Park Department as were employed on September 3, 1935, and who were so employed for 12 months during the preceding two years.

Amendment No. 2 would "blanket in" an undetermined number of the 500 persons classified as "institutional help" in the San Francisco Hospital, Laguna Honda Home and other institutions, who have held such positions as "institutional help" for a period of six months prior to November 5, 1935, the date of election.

Amendment No. 3 would "blanket in" practically all of the 22 employees of the California Palace of the Legion of Honor who have held their positions continuously for one year prior to September 3, 1935.

Amendment No. 4 would "blanket in" those of the 17 permanent employees of the Airport who were actually employed on September 3, 1935, and have been so employed for the preceding year.

In 1928 the people voted down a proposed charter amendment which, among other things, would have brought under civil service and "blanketed in" the employees of the Park Department, California Palace of the Legion of Honor and Municipal Airport, who had had one year's continuous prior service.

Although these amendments are presented to the voters at the election of November 5, 1935, they cannot become effective, even though adopted by the voters at this election, until ratified at the next regular session of the Legislature, which convenes in January, 1937. It was stated by some of the proponents of these amendments that they were presented at this time in the hope that the employees affected would be secured in their positions, by being "blanketed in" under civil service, in case of any

change in the board or commission in charge of the department, or the executive head thereof.

It would appear to be poor policy for the voters to approve amendments of this character at an election 15 months in advance of the time that such amendments can have any legal effect. It is obvious that during the period from November, 1935, to January, 1937, the status of many of the 1,100 employees will change.

The amendments purposely do not provide that those to be "blanketed in" shall have not only a certain period of prior service in their positions, and also shall be employed in such positions when the amendments become legally effective, in January, 1937.

Confusion and litigation will probably result, growing out of cases where employees are "blanketed in" who are holding positions on September 3, 1935, or November 5, 1935, as the case may be, and who may voluntarily leave their positions, or who may be dismissed before January 1937, the earliest date at which the "blanketing in" legislation can take effect. Such confusion and litigation will arise from the fact that on the date that the legislation becomes effective those who are then out of the City's service but who were "blanketed in" by the amendment, will have some basis for asserting civil service rights to their former positions.

The long-range "blanketing-in" procedure that is involved in these four amendments would appear to be unfair to the City, and to the persons who are actually employed in 1937 when the legislation would take effect.

The Board of Freeholders, in drafting the new charter that took effect in January, 1932, very materially extended the scope of civil service in San Francisco. Various departments and a large number of individual positions previously exempt from civil service, were brought under the civil service procedure. The departments and individual positions that were continued as exempt from civil service by the Freeholders (including those affected by Amendments 1, 2, 3 and 4) were determined in every case after careful consideration.

In addition to the general considerations discussed in the foregoing, that apply to all of the four amendments, various specific considerations relative to each separate amendment are outlined briefly as follows:

Charter Amendment No. 1

CIVIL SERVICE FOR PARK DEPARTMENT EMPLOYEES

This amendment is opposed by the Park Commission and by the Superintendent of Parks on the grounds that if adopted, (1) it will decrease the efficiency of the Park Department, (2) that it will disrupt the present system of training and promotion that has been developed by the Superintendent of Parks during the decades that he has been in charge

of the park system, and (3) that it probably will result in an increased cost of \$200,000 a year for park maintenance and operation.

The amendment is contrary to one of the general principles established by the charter, in that it would vest appointing power in the Park Commission for a number of positions that are continued as non-civil service positions, but that come under the supervision and authority of the Superintendent of Parks. It is likewise faulty in its broad provisions entitling an employee to be "blanketed in" on the basis of 12 months' service during the preceding two years. This might have the effect of "blanketing in" a number of employees who are really on a part-time or transient basis.

Bringing the department under civil service and the employees under civil service classifications will probably lead to subsequent efforts to increase salaries and wages. The rates of compensation paid by the Park Department, although apparently equal to or higher than the rates paid in private employment for similar services, are lower in some classifications than the rates paid for such services in other city departments. If this civil service amendment leads to increases in salary and wage rates up to "civil service" rates, a rough estimate indicates that this may involve an increased payroll cost of about \$153,000 per year.

Charter Amendment No. 2

"INSTITUTIONAL HELP" UNDER CIVIL SERVICE

Although the Health Department as a whole is under civil service, the "inmate help," "institutional help" and "part-time" services in the Health Department have always been exempt from civil service because of the transitory nature of the work. This amendment is unique in that it would "blanket in" those who are employed as "institutional help" on November 5th, who have been continuously employed only for the preceding six months.

The Director of Institutions reports that in normal times the rate of turnover in this force of approximately 500 persons is about 20% per month, and that during the past two years, even despite depression conditions, the turnover has averaged 6% per month. If the amendment provided for the usual one-year of continuous prior service as a condition for "blanketing in" employees, only 390 of the more than 500 "institutional help" would be eligible for such "blanketing in." This indicates the transitory type of the service. It indicates also the probable shrinkage in the number of employees who will be in the service by January, 1937, the earliest date at which the amendment could take effect.

It was stated in committee hearings that if the employees advocated this amendment to secure "a change in status," and an increase in compensation in accordance with the objectives of their organization, this, if

successful, would result in an increased cost of over \$240,000 per year. The Bureau is advised that in such eventuality, it would cost more to operate the City and County Hospital than any private hospital in the City.

Charter Amendment No. 3

**CIVIL SERVICE FOR CALIFORNIA PALACE OF THE LEGION
OF HONOR EMPLOYEES**

This amendment was opposed by the Board of Trustees who by charter are vested with management and control of the California Palace of the Legion of Honor. The President of the Board states that he is advised by competent legal authority that this amendment would be contrary to the conditions of the deed of gift by which Alma and A. B. Spreckels deeded the property to the City in 1921. If the amendment involves a breach of the terms of the trust agreement under which the City accepted this gift, the amendment would be invalid, even though voted by the people.

Charter Amendment No. 4

AIRPORT EMPLOYEES UNDER CIVIL SERVICE

This amendment is opposed by the Manager of Utilities on the basis that it is completely unnecessary and, if adopted, may seriously interfere with the operation of the Municipal Airport. He states that fourteen of the seventeen permanent employees must have special technical qualifications which are laid down by the Aeronautics Branch of the United States Department of Commerce and which are tested by rigid examinations conducted by that Department. He states that in addition to such rigid requirements for qualification, the nature of airport operation, involving as it does the safety of pilots and passengers, requires rigid adherence to detailed federal regulations and requires that full disciplinary control be vested in the management to assure such adherence.

Charter Amendment No. 5

**EMPOWERING POLICE COMMISSION TO INVESTIGATE ALL
MATTERS AFFECTING POLICE DEPARTMENT**

This proposed amendment would authorize the Police Commission to conduct investigations of all matters affecting or relating to the affairs of the Police Department or the discipline of its members; to take testimony, administer oaths, and issue subpoenas for the attendance of witnesses and the production of evidence pertinent to the matter under investigation; on any failure or refusal to obey any subpoena, to declare

the person so failing or refusing to be in contempt; and to report such action to the presiding judge of the Superior Court, which Court has power to force obedience of the subpoena or punish for contempt.

The proposed amendment grows out of the recent publicity in the press relative to the alleged illegal income of a former member of the Police Department.

The Board of Freeholders, in Section 21 of the charter, vested the power of hearing, inquiry and subpoena in "the mayor, the board of supervisors, the chief administrative officer, the controller, or any board or commission appointed by the mayor relative solely to the affairs under its control." The Freeholders believed that in the same section they had provided punishment for contempt in the following language: "Any person refusing to obey such subpoena and the other requirements hereof or to produce such books, shall be deemed in contempt and subject to the proceedings and penalties as provided by general law in such instances." Subsequently it developed that the general law provided proceedings and penalties for contempt only in case of failure or refusal to obey a subpoena issued by order of a county board of supervisors.

The proposed amendment is probably desirable, although if adopted it can have no force or effect until ratified at the next regular session of the Legislature in January, 1937. The proposed amendment, as stated applies only to investigations by the Police Commission. A more comprehensive amendment might be preferred, by amending Section 21 of the charter to provide that failure or refusal to obey a subpoena issued by the mayor, the board of supervisors, the chief administrative officer, the controller, the police commission, or any board or commission—in the investigation of any matter properly subject to investigation by such board or officer—would be deemed in contempt and would be subject to the same procedure and penalty that is provided by general law for failure to obey a subpoena issued by a county board of supervisors.

Charter Amendment No. 6

REGULATING MANNER OF HOLDING CIVIL SERVICE EXAMINATIONS

This amendment was proposed by the Municipal Civil Service Employees' Association for the stated purpose of restricting the powers of the Civil Service Commission in rating candidates partially on the basis of oral examinations. The amendment would require a written test in all examinations except for positions in the fire and police departments, mechanical trades or positions involving manual duties only; that at least 50% of the total possible credits must be based on such written test; provides that not more than 20% of the total possible credits be based on oral tests; and provides that the Civil Service Commission may

apportion the remaining 30% among the qualifications of physical fitness, experience, education, seniority in service, ascertained merit, or other qualifications. The amendment would also require that a stenographic record be kept of questions and answers and oral examinations and that a transcript thereof be prepared on the request of any participant in the examination, and on the payment by him of a reasonable cost therefor.

The amendment would also provide that the 5% credit or preference allowed to veterans or widows of the veterans who attain the minimum passing mark on any entrance examination and the 3% credit allowed to veterans or their widows in any promotional examination, shall be granted once on an entrance appointment and once on a promotive appointment, provided that such preference shall be charged against the veteran only when he actually receives an appointment to a permanent position from a list which includes the preference. The existing charter provisions that allow one entrance credit of 5%, or one promotional credit of 3% to a veteran have been criticized, on the basis that, when allowed, such preference raises the rank of the veteran on an eligible list but that if such veteran is not appointed from such eligible list he fails to benefit by such credit.

The existing charter limits the veteran to one preference either on an entrance examination or a promotional examination. The proposed amendment allows the use of preference once on an entrance examination and again on a promotive examination. At the November, 1928, election, a charter amendment, dealing solely with this matter of veterans' preference and granting such preference on all examinations taken, was submitted to the people and was voted down.

The major provisions of the amendment—50% of total credits to be based on written test, maximum of 20% on oral, and 30% to be distributed among specific qualifications—are stated by the Civil Service Commission to conform with its present practice. The Commission, however, urged that no amendment be submitted at this election; that even though an amendment be approved by the voters at the 1935 election, it could not become effective until after ratification by the Legislature in 1937; and that any such amendment dealing with the fundamental civil service law should be carefully prepared as a result of long study.

During the short period of consideration of this amendment by the Supervisors, it was edited and changed by its sponsors in many particulars, and was redrafted twice. It deals with one of the most important provisions of the charter relating to the municipal civil service. The detailed specifications set up in the amendment, even though they may conform with the present practices of the Civil Service Commission, represent the type of detailed regulations that should not be fixed by

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charter. Such detailed regulations are contrary to the general policy of the new charter, which was based on large part on the elimination of the great mass of ordinance and regulatory material that encumbered the old charter.

The amendment adds to the bulk of the charter, and adds restrictive provisions that were hastily formulated and that may prove to be undesirable. It is probable that it will be productive of litigation if adopted by the people.

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Vol. XVI

JANUARY 15, 1936

No. 1

San Francisco's Bonded Debt—1935

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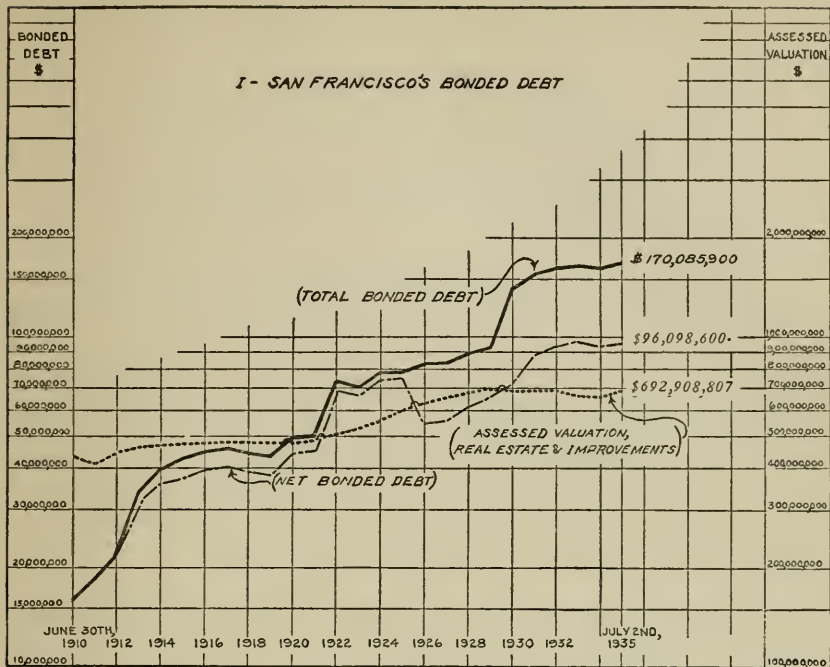
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WILLIAM H. NANRY Director

Table I
BONDED DEBT OF SAN FRANCISCO

Year	Issue	Rate and Life (Years)	Original Authori- zation	Outstanding July 2, 1935 (also Unsold Bonds*)	Annual Redemp- tion 1935-36	Year of Final Redem- ption
I. General Bonds Included Within 12% Charter Limit						
1904	Park and Presidio					
	Extension	3½%-40	\$ 330,000	\$ 73,800	\$ 8,200	1944
1904	Library	3½%-40	1,647,000	369,900	41,100	1944
1904	Mission Park	3½%-40	293,000	65,700	7,300	1944
1904	Playground	3½%-40	741,000	166,500	18,500	1944
1908	Fire Protection	5%-47	5,200,000	2,600,000	130,000	1955
1908	School	5%-30	5,000,000	600,000	200,000	1938
1908	Sewer	5%-46	4,000,000	1,900,000	100,000	1954
1910	Polytechnic High					
	School	4½%-27	600,000	50,000	25,000	1937
1912	City Hall and					
	Civic Center	5%-48	8,800,000	5,000,000	200,000	1960
1913	Municipal Railway ..	5%-39	3,500,000	1,800,000	100,000	1952
1918	School	4½%-24	3,500,000	1,225,000	175,000	1942
1923	School	5%-44	12,000,000	9,600,000	300,000	1967
1923	Relief Home	5%-24	2,000,000	1,200,000	100,000	1947
1927	Memorial Hall	4½%-24	4,000,000	3,200,000	200,000	1951
1927	Bernal Cut	4½%-24	1,400,000	1,120,000	70,000	1951
1927	Boulevard	4½%-24	9,380,000	7,973,000	469,000	1951
1929	Hospital	4½%-24	3,500,000	3,150,000	175,000	1953
1929	Sewer	4½%-26	2,200,000	1,609,000	100,000	1955
				(391,000)*		
1931	County Jail	4½%-21	850,000	850,000	50,000	1952
1931	Unemployment	4½%-29	2,500,000	2,500,000	100,000	1960
1932	Relief	4% to 5%-15	6,500,000	6,500,000	(1936-37)	1947
1933	Sewers	4%-30	2,625,000	1,250,000	88,000	1963
				(1,287,000)*		
1933	High Pressure	3% to 5%-20	2,000,000	1,900,000	100,000	1953
1933	Airport	4%-5	260,000	208,000	52,000	1938
1934	School House	3% to 5%-10	3,000,000	2,700,000	300,000	1944
	Total Outstanding		\$85,826,000	\$57,610,900	\$3,109,100	
	Total Unsold*			(1,678,000)*		
II. Exposition and Water Bonds, Excluded from 12% Limit						
1910	Water	4½%-54	\$45,000,000	\$29,000,000	\$1,000,000	1964
1912	Exposition	5%-27	5,000,000	800,000	200,000	1939
1925	Hetch Hetchy	5%-44	10,000,000	8,500,000	250,000	1969
1928	Hetch Hetchy	4½%-49	24,000,000	24,000,000	(1937-38)	1977
1928	Spring Valley	4½%-42	41,000,000	35,000,000	1,000,000	1970
1932	H. Hetchy	4% to 5¾%-39	6,500,000	5,906,000	(1938-39)	1971
				(594,000)*		
1933	Water Distribution ..	4%-20	12,095,000	5,944,000	605,000	1953
				(5,442,000)*		
1933	Hetch Hetchy Dam ..	4%-20	3,500,000	3,325,000	175,000	1953
	Total Outstanding		\$147,095,000	\$112,475,000	\$3,230,000	
	Total Unsold			(6,036,000)*		
	Grand Total Outstanding		\$232,921,000	\$170,085,900	\$6,339,100	
	Grand Total Unsold*			(7,714,000)*		
1930	Golden Gate Bridge					
	(S. F. 85%)		\$35,000,000			

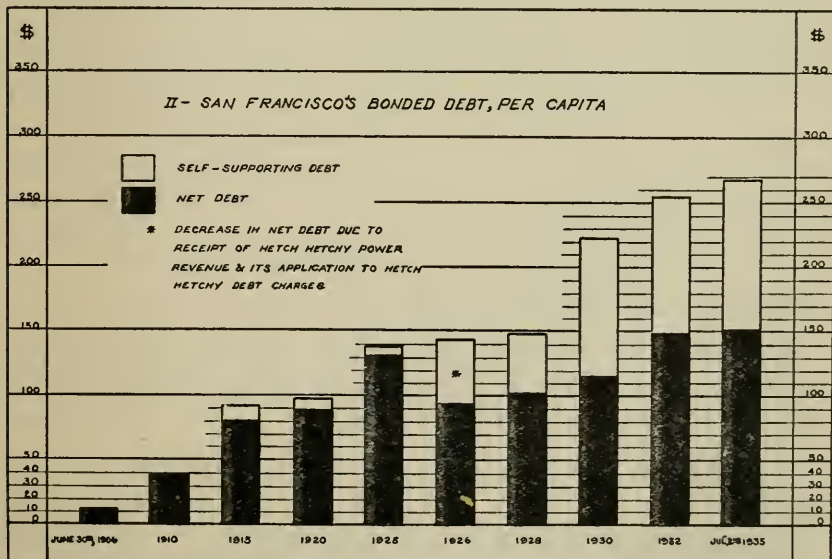
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(Chart No. 1) SAN FRANCISCO'S BONDED DEBT

Increase from 1910 to 1935 in amounts of gross and net debt (net debt as used here excludes bonds for each utility project the debt charges of which are carried by revenues of the utility). Increases in assessed valuation of real estate and improvements are shown comparatively for the same 25-year period.

"Ratio" (logarithmic) vertical scale is used to show the percentage rates of change throughout the period. Equal percentage rates of change are represented by the same vertical distance on the scale.



(Chart No. 2) SAN FRANCISCO'S BONDED DEBT—PER CAPITA

Gross and net debt, per capita, for the period 1906 to 1935. 1930 U. S. Census used to estimate per capita debt for 1930 and following years. On this basis 1935 per capita gross debt amounts to \$268 and net debt \$151. If population forecast of 698,000 for 1935 is used, per capita gross debt would be \$244 and net debt \$138.

San Francisco's Bonded Debt—1935

During the last several years, the subjects of bonded debt and annual fixed charges to pay bond interest and redemption have been matters of deep concern to many cities. With a shrinkage in income, due to tax delinquency and the falling off of non-tax revenues—and aggravated in some states by new tax limitation laws—the fixed charges for bond interest and redemption have absorbed, in practically all cities, a higher percentage of the revenues actually received. In many cases, this has forced a curtailment of operating and other expenditures; in some cases it has forced a default on the payment of debt charges.

According to "The Bond Buyer," over 1300 cities, counties and special districts throughout the country were in default at the end of 1933, and over 2700 were in default at the end of 1934. It is stated that these are mostly small communities, and that the debt involved is less than 5% of the total municipal debt of the nation.

Debt statistics of American cities having over 30,000 population, compiled annually by the Detroit Bureau of Governmental Research, show that the total bonded debt of these cities has increased during each year of the depression. However, the rapid rate of increase prior to the depression has been checked. The increase during the last three-year period 1932-1935, for all cities listed has been somewhere between 1% and 2%, as compared with an increase of about 78% for the preceding nine-year period, 1924-1933.

San Francisco's Gross Debt, \$170,085,900

With official consideration in San Francisco of various projects which may involve many millions of additional debt, it seems an opportune time to present an analysis of the City's debt status.

San Francisco's outstanding bonded debt was \$141,379,400 as of January 1, 1931. It increased to \$170,085,900 as of July 2, 1935, the beginning of the current fiscal year. The City's debt increased \$9,488,100 during the fiscal year 1934-35. Practically all of this was due to the sale of PWA bond issues, voted by the people in November, 1933, as a cooperative step in the Federal re-employment program.

San Francisco has had an uninterrupted series of increases starting about the beginning of the present century. Continual increases in the City's bonded debt have naturally forced subsequent increases in the annual tax rates to meet interest and redemption charges, which increases have not received the attention they have deserved. As a matter of fact, the only time the people can do anything about increased debt charges is several years prior to their occurrence, by voting for or against proposed bond issues. The fact that the City's debt charges will reach their peak in 1937-38 grows out of the amount and terms of a bond issue voted in 1928.

A detailed statement of bonds authorized, and outstanding or unsold, on July 2, 1935, is shown in Table I. There are 33 bond issues. Their final retirements range from 1938 to 1977. By 1940, four issues will have been completely retired. According to statistics compiled by the Controller, our outstanding debt, now \$170,085,900, will have been reduced to about \$136,500,000; our annual charge for bond redemption, now \$6,339,100, will have increased to \$6,830,100. By 1950, eight additional issues will have been completely retired; our debt will have been reduced to about \$73,000,000 for the present outstanding issues; our annual charge for bond redemption, for present outstanding issues, will still amount to about \$5,600,000. By 1960, thirteen additional issues will have been completely retired; our debt, for the remaining eight of the present 33 issues outstanding, will have decreased to about \$30,600,000; our annual charge for bond redemption, for present outstanding issues, will still amount to about \$3,700,000. This is about 58% of the current annual redemption charge, although the 1960 outstanding debt will amount to only 18% of the amount outstanding in 1935.

Net Debt, \$96,098,600

Of the total outstanding bonded debt on July 1, 1935, \$73,987,300 of utility debt is self-supporting—that is, the debt charges on the bonds are met out of the operating revenues of particular utilities. The balance, or net debt, is \$96,098,600. Included in the self-supporting debt is \$5,944,000 of 1933 Water Distribution bonds, the debt charges of which, \$1,052,500 on bonds outstanding July 2, 1935, are not paid from Water Department revenue, but from the Federal PWA grant and the bond fund proceeds. However, a Water Department surplus of \$1,459,239 was available to meet such debt charges, but was transferred to the general fund for 1935-36, and thus applied to tax reduction instead of debt charges. When the Federal grant is exhausted, the Water Department surpluses will be more than ample to meet the debt charges on this issue. Thus the amount of this issue now outstanding is properly classed as

"self-supporting." The amounts of the various "self-supporting" issues are as follows:

Issue	Outstanding July 2, 1935	Amount Self-Supporting	Debt Charges Paid Amount	From Revenues Source of Funds
1910 Water (H.H.)	\$29,000,000	\$24,484,300 (1)	\$2,220,909 (2)	H.H. Power
1925 Hetch Hetchy	8,500,000	5,714,000	400,000 (2)	Water Dept.
1928 Hetch Hetchy	24,000,000	1,045,000	47,025 (3)	Water Dept.
1932 Hetch Hetchy	5,906,000	-----	-----	
Total Hetch Hetchy....	\$67,406,000	\$31,243,300	\$2,667,934	
1928 Water (purchase) ..	35,000,000	35,000,000	2,575,000	Water Dept.
1933 Water (exten's)..	5,944,000	5,944,000	1,052,500	(4)
1913 Municipal Rwy. ...	1,800,000	1,800,000	187,500	Mun. Rwy.
		\$73,987,300	\$6,482,934	

- (1) Based on ten-year average, \$1,713,900, of Hetch Hetchy power revenues available for bond interest and redemption, capitalized at 7%—4½% for interest and 2½% for redemption. Power revenue actually applied to Hetch Hetchy debt charges for 1935-36 totals \$2,220,909.
- (2) Theoretically applicable to interest and redemption charges on 1910 issue only, but actually applicable to Hetch Hetchy debt charges as a whole.
- (3) Represents interest charges only; serial redemption of 1928 issue does not begin until 1937-38.
- (4) Paid from Federal PWA grant and bond fund proceeds, with Water Department revenues available but appropriated to general fund.

Debt Charges, \$14,328,372, and Source of Funds Therefor

Interest charges during the current fiscal year total \$7,989,272; redemption, \$6,339,100; a total debt charge of \$14,328,372. Of this \$6,538,938 is appropriated from the general tax levy. This requires 79.3 cents out of the \$3.682 tax rate—over 21 cents of each tax dollar. The major portion of the balance is paid from revenues of the City's utilities. The following statement, compiled by the Controller, shows the sources from which funds are appropriated for the payment of bond interest and redemption charges for 1935-36.

1. Federal 30% Grants on 1933 PWA Bond Issues.....	\$ 1,557,000
2. 1933 Hetch Hetchy Dam and Water Distribution Bond Fund Proceeds, for Interest during Construction.....	577,000
3. Interest Earned on 1933 Water Distribution Bond Fund Proceeds....	25,000
4. County Road Fund (State Subvention) applied to Boulevard Bond Interest and Redemption.....	200,000
5. TOTAL, Miscellaneous Appropriations	\$ 2,359,000
6. Hetch Hetchy Power Revenues (Under Agency Agreement with Pacific Gas & Electric Company).....	\$ 2,220,909
7. Water Department Revenues.....	3,022,025
8. Municipal Railway Revenues.....	187,500
9. TOTAL, Utility Revenue Appropriations.....	\$ 5,430,434
10. Tax Levy, 1935-36.....	\$ 6,538,938
11. TOTAL (Items 5, 9 and 10).....	\$14,328,372

Leeway for New Debt Under Charter 12% Limit

The charter fixes the City's debt limit as 12% of the assessed valuation of all real and personal property in the city and county subject to taxation for city and county purposes. Excluded from this limitation are

(1) bonds issued for water supply and distribution purposes, on which there is no limitation, and of which \$111,675,000 are outstanding and \$6,036,000 unsold; and (2) bonds authorized for the 1915 Exposition, of which \$800,000 are outstanding.

The maximum bonded debt that the City may incur under the 12% limitation is \$137,017,906, on the basis of a 1935 assessment roll of \$1,141,815,889. Deducting from this amount \$57,610,900 bonds now outstanding, and \$1,678,000 in unsold non-exempt bonds (although \$391,000 of 1928 sewer bonds may never be sold), leaves a charter margin for new debt of \$77,729,006.

This margin will be reduced in 1936, as a result of laws passed by the 1935 Legislature. Motor vehicles, which are removed from local taxation and taxed for State purposes in 1936, are assessed at \$10,888,604 on the 1935 roll. Stocks and bonds which have been relieved of the two-mill tax on full value, as part of the new personal income tax legislation—and which, we understand, will not be subject to local assessment and taxation—are assessed at \$179,607,345 on the 1935 assessment roll.

When these two classes of property are removed from the local assessment roll, this will be reduced by \$190,495,949; the charter bonded debt limit will be reduced by \$22,859,514; and the 1936 leeway for new debt, on the basis of 1935 assessment figures, will be \$54,869,492.

Growth of San Francisco's Bonded Debt

Chart No. 1, included herein, shows the growth in the City's bonded debt since 1910. On June 30, 1906, San Francisco's outstanding bonded debt amounted to \$4,568,600. Due in part to the necessity of reconstruction following the fire and earthquake in April of that year, the bonded debt was increased 246% to \$15,813,000 by 1910. The total debt rapidly increased during the next five years to \$42,635,800 as of June 30, 1915. During the period of the World War, the rate of increase was curtailed, the total debt amounting to \$49,015,000 by June 30, 1921. Thereafter, large increases followed almost every year, growing to the July 2, 1935, total of over \$170,000,000.

The ratio of assessed valuation to bonded debt is also shown on Chart 1. During the 25-year period since 1910, the assessed valuation of real estate and improvements increased 45%, whereas bonded debt increased 1120% during the same period.

The increase in bonded debt in relation to population, is shown by Chart 2. In 1906, the per capita bonded debt of the city and county was \$12. By 1910 it had increased to \$39, and in 1920 it was \$97. Of the latter total, in 1920, the "net" or non-self-supporting debt amounted to \$88 per capita. The chart shows that the per capita total bonded debt was \$268 as of July 2, 1935, and the "net" debt \$151, based on the Census of 1930.

Various Bond Issues Not Based on Sound Fiscal Principles

A study of the various bond issues as listed in Table I will indicate many instances of very costly financing, for which the people of San Francisco have had to pay and, in the future, will continue to pay.

For the last twenty-five years, it has been an accepted principle by analysts of governmental finance that recurrent expenditures for improvements should be paid from current revenue—the “pay-as-you-go” plan. The economy and the heavy savings to taxpayers under the “pay-as-you-go” plan are easily demonstrated, and are generally understood. The annual or continuing need for improvements, such as schools, sewers, public buildings, playgrounds, etc., whether required as replacements or as new additions due to growth of a city, should be met from current tax levies and other current revenue. Extensive and non-recurring improvements sometimes cannot be financed in such manner, but must be financed by bond issues.

As a supplement to the “pay-as-you-go” policy, such bond issues as are actually necessary should be based on the principles of the “pay-as-you-go” plan. The terms of such bond issues should be made as short as possible, consistent with the purpose of the issue, and the availability of funds without excessive tax burden for the annual serial redemption thereof. In no case should the life of a bond issue ever exceed the estimated efficient life of the project, giving consideration to the factor of obsolescence. Also the annual serial redemption should be started at the earliest feasible date, in order to reduce the heavy interest costs to taxpayers.

Fortunately, the California law requires that municipal bond issues be of the “serial” type, redeemable in equal annual installments. This has saved California cities from the difficulties and insolvencies in bond redemption funds that pertain to the administration of “sinking fund” bond issues in many American cities.

Most of the bond issues authorized prior to the 1933 PWA projects were issued for unduly long terms. In fixing the initial redemption and the final maturity dates of the serial bonds, little thought was given to the over-all cost to taxpayers, to the life of the projects, or to the recurrent or near-future requirement for financing improvements of the same type. As far as the Bureau is informed, official estimates of cost of alternative redemption plans were never made nor considered. The first annual redemption of a proposed bond issue was usually postponed for several years after the bonds were issued and sold and the improvement completed. As a result, the increased tax cost for bond redemption usually would not become apparent during the current terms of elected officials.

Good examples of short-term issues—issues based on “pay-as-you-go” principles and consequent reduction in taxpayers’ costs for debt charges—

are the 1933 Airport bonds and the 1933 \$3,000,000 School House bonds. In each case, the initial annual redemption was dated only one year after the date of issuance. As to term, the Airport bonds will be retired in five years and the School bonds in ten years. (An earlier proposal in 1933 of a 40-year school bond issue was voted down, solely because of the unnecessarily long term.) The balance of the 1933 PWA issues, except the sewer bonds, which have an unduly long life (30 years), have 20-year terms and are not unduly long, considering the nature of the improvements and, in the case of utility bonds, the estimates of future utility revenues necessary to meet all debt charges.

High Cost of Various Bond Issues

A costly long-term type of bond issue is represented by the \$8,800,000 5% City Hall bond issue of 1912. This will not be retired until 1960—a term of 48 years. The gross cost to the taxpayers for this improvement will be approximately \$18,800,000, including \$10,000,000 for interest, more than doubling the original cost of the improvement of \$8,800,000. The 48-year life of the bonds should have been shortened, perhaps cut in half, in consideration of the City's future needs for the financing and construction of public buildings. Long before this issue shall have been retired the City will have spent large sums for buildings to supplement the City Hall.

Another example of a high-cost issue is the 1923 School Construction 5% bond issue of \$12,000,000. During the 45-year life of this bond issue, the interest payments will amount to approximately \$13,800,000, in addition to the \$12,000,000 original cost of school construction. Comparison of the cost of this long-term school bond issue with the recent \$3,000,000 school house issue with a ten-year maturity, shows that if the same principle had been applied to the 1923 \$12,000,000 issue—11-year life, with redemption during the last ten years—the taxpayers would have had to pay only \$3,300,000 for interest at 5%, or a saving of \$10,300,000, equal to 85% of the original bond issue.

From 1918 to 1923 the City issued \$15,500,000 of bonds for schools. In the opinion of the Bureau, practically all of this could have been and should have been financed from current revenues on the "pay-as-you-go" plan. Interest and redemption charges for this year, on the \$10,825,000 of such bonds now outstanding, approximates \$1,000,000 and for the next five or six years will average over \$900,000 per year. Pay-as-you-go appropriations, in lieu of the bond issues, would have saved the taxpayers, and without onerous tax burdens, about \$15,000,000 during the life of the various issues—about 100% of the total amount of the bonds.

The two unemployment relief bond issues furnish other examples of

costly financing. The first was authorized in 1931—\$2,500,000, 4½%, 30-year life, first serial annual redemption postponed to 1935-36, the current fiscal year. The second was authorized in 1932—\$6,500,000, sold at rates varying from 4 to 5%, 15-year life, first serial annual redemption postponed to 1936-37, the coming fiscal year. Considering the purpose of the expenditure—the 1931 issue being for work-relief on streets, parks and playgrounds, and the 1932 issue being for direct relief payments to the unemployed—redemption should have been started in the first fiscal year after each bond issue was authorized, and the terms of the two issues should not have exceeded 15 years and 10 years, respectively, as a maximum. Measured by such basis, the excess cost of postponement of initial redemption and unduly long life will approximate \$2,800,000, or 30% of the amount of the bond issues.

The 1928 Hetch Hetchy bond issue of \$24,000,000, with the provision that initial redemption be postponed ten years, to 1937-38, represents another costly financing policy. It was estimated that the bond-fund construction work would be completed in 1932; the Bureau urged that the initial annual redemption be provided for in 1932-33. Likewise, when the 1932 Hetch Hetchy bond issue of \$6,500,000 was under consideration, the construction work thereunder was estimated for completion in 1934. The Bureau urged that initial redemption be specified as 1934-35, but it was finally determined to specify 1938-39, on the basis that the 1928 issue was scheduled for initial redemption in 1937-38. The excess interest—six years on \$24,000,000 and four years on \$6,500,000—will cost the taxpayers approximately \$7,700,000 or 25% of the amount of the two bond issues.

Municipal Finance Officers' Comments on Debt:

The following brief recommendations and comments, pertinent to the subject matter of this analysis, are taken from the lengthy report of the Committee of Municipal Debt Administration, submitted to the 1935 conference of the Municipal Finance Officers' Association:

"The committee believes that during the next decade cities should strive to effect a net reduction in their indebtedness. . . . Return to a pay-as-you-go basis should be repeated in the decade 1936-1946. . . ."

"Debt limits have become an established feature of State laws governing municipal debt administration. On the whole they have served a useful purpose. Over-reliance, however, has been placed on the efficacy of present debt limits, and the problem of overlapping debts has been neglected. . . ."

"Where serial bonds are issued the State laws should at least provide that the first maturity must fall due within one or two years from date of issue. . . ."

The City

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No. 2

1936-37 Budget Analysis

Synopsis

New Policy on Salary Increases

Salary Increases and New Positions, \$480,534

New Positions

Appropriations Compared With Those for 1935-36

Comparative Increases

Comparative Decreases

Comparative Revenues

Failure of 1933 Tax-Reduction Program

Issued by the

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Synopsis

This issue of THE CITY is devoted to an analysis of the City's budget for 1936-37. Exclusive of capital funds, this totals nearly \$55,000,000. It is the largest in San Francisco's history; it exceeds that of 1935-36 by more than \$1,500,000; and it will require a tax levy of over 30 million dollars, \$1,000,000 more than that of last year. On the present limited basis of estimating, this will mean a rate increase from last year's \$3.68 per \$100 assessed valuation to about \$3.80.

The report details and discusses salary increases provided in the budget for over 2,000 employees. In most cases, the individual increases are modest in amount, but the total represents an annual increased payroll cost of \$221,000, equivalent to about 2.6 cents in the tax rate. According to the official publication of the Federation of Municipal Employees, this policy of wholesale increases is an achievement of the Federation, the success of which was due to the co-operation and support of City officials.

This report discusses the possible effect of this new policy of increasing salaries at this time, on the pending salary standardization work of the Civil Service Commission. The report also details and discusses the allowance in the budget for 154 new positions at an annual payroll cost of nearly \$260,000.

The various appropriations are compared with similar appropriations for the last fiscal year 1935-36. The comparative increases and decreases are discussed. It will be noted that an increase of over \$1,000,000 is required for old-age pensions and unemployment relief. The report again discusses the method of creating a fictitious Water Department surplus which, by transfer to the General Fund, permits of a temporary reduction in the tax rate, although this policy will add materially to Water Department costs in the long run.

The revenues estimated to fund the 1936-37 budget are analyzed in comparison with similar revenues for the previous fiscal year. The increase in the tax levy is over \$1,000,000. The amount of subventions to be received from the State will exceed \$8,500,000, an increase of almost \$1,400,000 over similar receipts for 1935-36. The amount of motor vehicle tax subvention, in lieu of local taxation of motor vehicles, is larger than the total amount received by the City from the direct taxation of motor vehicles in 1935-36.

The report discusses the increased costs involved in the City's expenditure program, in relation to the savings expected under the 1933 Riley-Stewart legislation. It shows that the major part of the \$5,800,000 expected annual savings to local taxpayers already have been absorbed by increased local expenditures.

1936-37 Budget Analysis

The annual budget and the appropriation ordinance for 1936-37, as submitted by the Mayor, was adopted by the Supervisors on May 25th with practically no change. Three days of discussion by the Supervisors of the various items in the budget resulted in a net reduction of \$7,193. The subsequent veto by the Mayor of a \$10,000 item inserted by the Supervisors increased the net reduction to \$17,193.

The net budget—the total of all appropriations, less transfers or the deduction of items shown in each of two departments or funds—amounts to \$56,763,579. Deducting capital funds (bond fund expenditures and Federal PWA grants on account of bond fund expenditures), gives a net current budget total of \$54,938,831. This is the largest budget in the City's history. It represents an increase of \$1,565,488 over the net budget for 1935-36 which totalled \$53,373,343.

Revenues other than taxes are shown as \$25,374,529, an increase of \$1,175,069. The amount of taxes to be levied as shown in the consolidated budget adopted by the Supervisors is \$31,389,050 as compared with a levy of \$30,357,960 for the current year. This indicates an increased tax levy of \$1,031,090.

Estimates of the probable tax rate, which will not be fixed until August or September, can be only speculative at this time. Modifications may have to be made in some of the appropriation and revenue items. Any changes in the assessment roll for 1936 as compared with 1935 valuations will not be known for some time. However, on the basis of the 1935 assessment roll, as decreased by State legislation which removed motor vehicles and stocks and bonds from local taxation, the estimated increase of \$1,031,090 in the tax levy will require a tax rate of approximately \$3.80 per \$100 of assessed valuation, an increase of about 12 cents over the current rate of \$3.681917.

New Policy on Salary Increases

The detailed allowances to the various departments show a large number of salary increases, also various reclassifications as a basis for salary increases, and a number of new positions. Many of these were based on last minute supplemental requests of the several department heads and the approval of the Mayor.

The policy of wholesale salary increases in the 1936-37 budget indicates the abandonment of the policy that has been in effect since 1932, due to depressed business conditions, of maintaining existing salaries—which, in most cases, compared very favorably with rates paid in private business. The new policy may have a marked effect on salary standardization, activity on which has been resumed during 1936 by the Civil Service Commission, looking toward the early enactment of standardized salary schedules.

The new charter, when it took effect in 1932, provided in mandatory terms for salary standardization. Provisions were not written in requiring such

standardization within a specified period, so, therefore, the mandate could not be enforced. The charter provided that pending the adoption of salary standards, no compensation should be increased so as to exceed the salary or wage paid for similar services in other city departments or in private employments, nor so as to exceed the rate fixed for any service or position in a schedule of compensations issued by the Civil Service Commission under date of April 9, 1930 (but not adopted by the Supervisors).

This 1930 schedule, when formulated, was criticized by the Bureau on the ground that for many services it set up "tentative" rates that were based largely on rates then being paid by the City and considerably higher than rates paid in private employment in San Francisco or in comparable governmental units in the State. The effect of the salary-increase policy established by the Mayor's budget, and approved by the Supervisors in their adoption of the budget, is to give weight and recognition to various of the salary rates set up in the Civil Service Commission's schedule of 1930, under the provisions of the old charter. It is probable that under the standardization provisions of the new charter, many of these rates cannot be maintained legally, in cases where they are higher than "prevailing rates for like service and working conditions in private employment or in other comparable governmental organizations in the State." (Section 151 of Charter).

According to the official publication of the Federation of Municipal Employees, the Federation initiated, and, with the cooperation of city officials, secured the adoption of the salary-increase plan. This is indicated by the following excerpts from the May 1936 issue of the *Federation News*:

"The Federation of Municipal Employees was eminently successful in obtaining wage and salary adjustment for many hundreds of municipal employees in the 1936-37 budget just adopted by the Board of Supervisors. This was the first year that the Federation had taken an active interest in individual salary adjustments. . . . Many valuable lessons were learned from the experience of this budget making time—lessons which will be of incalculable value in the future building of budgets. . . .

"Early in the budget discussions Mayor Rossi assured the Federation that he favored increasing the wages and salaries of those employees receiving less than the minimum or entrance rates" (as fixed by the Civil Service Commission's 1930 schedule) "when such adjustments came to him from the department heads. Acting upon this assurance the Federation was, in a number of instances, able to get the department heads to change their recommendations so that these lowest paid municipal employees would this year receive salary adjustments. The Mayor also assured the Federation that employees who had served the city faithfully and well for a long period without financial recognition of their services should be recognized this year provided that the department head recommended the adjustments. With this assurance from the Mayor the Federation was able in a number of instances to get the department heads to change their original recommendations so as to provide the merited adjustments. . . .

"Bear this in mind for the future: The first step in obtaining an adjustment of your salary is to obtain the recommendation of your department head. The Mayor and the Board of Supervisors have no legal authority to increase the salary unless the increase is recommended by the department head. . . ."

Salary Increases and New Positions, \$480,534

Table IV, page 28 of this report, shows by department, position and amount, the detail of 2,013 salary increases; also 12 reclassifications, considered by the Civil Service Commission as new positions, but which in some cases were designed, and in all cases have the effect, of increasing salaries of incumbents.

The detailed budget sheets show salary increases for 314 positions in general departments involving a total annual cost of \$71,418. An additional group of 536 workers in the City's hospitals, classified as institutional help, were increased \$2 per month from \$77.50 to \$79.50, the maximum permitted by the charter for non-civil service employees, involving a further annual increase of \$12,864. The reclassification of 12 positions, considered as new positions by the Commission, involves increased compensations of \$8,676. Total, 862 positions and an annual increase of \$92,958 for general departments.

Records of the Civil Service Commission indicate that the school budget will include increases for 100 non-certificated employees at an estimated annual cost of \$18,471. Summary figures of the School Department likewise show that 1,063 teachers and other certificated employees of the Department will receive pay increases, involving an increased cost estimated by the School Board as \$109,569 per year. This group of increases comes as a result of the policy in resuming annual "automatic increases" as provided in the 1929 revised salary schedules, for all teachers except those now receiving maximum rates. These "automatic increases" have been suspended since 1932, as a retrenchment measure.

These salary increases for 2,025 positions will increase the payroll by about \$221,000, a sum equivalent to about 2.6 cents in the tax rate.

New Positions

Table V, page 34 of this report, details the number of new positions or replacements in the several departments, and the annual cost thereof.

The detailed budget sheets show 154 new positions, at an annual payroll cost of \$259,536. This is exclusive of any new positions that may be created in the certificated force of the School Department. Of these, 35 at an annual cost of \$58,120, are shown as replacements, or as positions, formerly on a temporary basis, now made permanent. The other 119, with total annual compensations of \$201,416, are shown as new positions.

Certain of these new positions are required to operate additional facilities already constructed or provided for—Recreation 3, for new playground; Library 3, for new branch library; Emergency Hospital staff 4; and Municipal Railway, 10 bus operators. Additional Sheriff's county jail staff of five was recommended by the Civil Service Commission after a survey of the Depart-

ment, and 5 additional janitors were recommended for the War Memorial as the result of a survey by a committee of the San Francisco Building Owners and Managers Association.

The allowance of the balance, 124 new positions, including 35 replacements, may be due to a definite need in the 30 departments affected; or, similar to the new policy on salary increases, it may represent, in whole or in part, a relaxation of the policy, in effect since 1932, of allowing no new positions and leaving vacated positions unfilled, except in cases of dire necessity for such services.

Appropriations Compared With Those for 1935-36

The budgeted expenditures for 1935-36 in comparison with those for 1936-37 are shown in Table III, page 24 of this report. Many items necessarily appear in more than one department or fund. For example, the appropriation for bond interest and redemption includes the total amount required for this purpose, while appropriations for payment of bond interest and redemption are also shown in the budgeted expenditures of the Water Department, Municipal Railway, Hetch Hetchy Power and Gas Tax Funds. Also, appropriations for materials and supplies are allowed to each department, and, in many cases, are transferred and shown again in the budget of the Purchaser. These duplications or transfers total \$996,512 for the General Fund and \$10,264,873 for other transfers. They are deducted from the gross totals at the end of the table to reach the net expenditure program of \$56,763,579. Also deducted are \$1,824,748 of bond fund and other capital fund expenditures, to reach a net current budget total, as shown in the table, of \$54,938,831.

Comparative Increases

The various items of increased or decreased appropriations in the 1936-37 budget as compared with the budget of 1935-36 are shown in the following Table I—a net actual increase of \$1,565,488. An increase of over \$1,000,000 is required for old-age pensions and unemployment relief. One-half of the increase for the former item is offset by an increase in the amount of State subvention to the City for this purpose. An increase of over \$450,000 for street construction and other gas tax expenditure is based on increased revenue estimated to be received from the State for city and county street and highway purposes. The increase of over \$250,000 shown for the Purchaser reflects increased allowances for contractual services, materials, supplies and equipment allowed to the several departments and transferred to the Purchaser for administration as an agent of the several departments.

The Emergency Reserve Fund is increased from \$100,000 to \$300,000, an increase of \$200,000, as a reserve to meet possible further requirements for old-age pensions, unemployment relief and institutional services. The increase of \$189,000 in bond interest and redemption is automatic, due to past action of the voters in approving bond issues. This expenditure will be increased still further in 1937-38, the peak year, when the first annual redemp-

Table I.

**INCREASES AND DECREASES IN 1936-37
EXPENDITURE APPROPRIATIONS AS COMPARED
WITH 1935-36**

INCREASES			
(Exclusive of Bond Funds)		County Welfare, incl., Blind and Widows' Pensions.....	
Old Age Pensions.....	\$ 730,000	Library Department	32,980
Street Construction and other Gas Tax Expenditures	450,536	War Memorial and Museums	29,806
Unemployment Relief	300,000	Publicity and Advertising....	25,419
Purchaser (for various depts.)	254,186	Police Department	25,000
Emergency Reserve.....	200,000	Sheriff	23,661
Bond Interest and Redemption	189,237	Street Lighting and Light and Power, various Depts.....	23,533
Schools	157,630	Various (14 departments)....	21,125
Water Dept. Surplus, to General Fund.....	152,507	Total increases.....	65,255
Construction, Street Lighting Systems	133,500	DECREASES	
Employees' Retirement	121,353	Maintenance of Minors.....	\$ -25,000
Hetch Hetchy Water, Operation and Maintenance	93,378	Interest and Redemption, State Relief Loan.....	-64,672
Health Department	83,600	Recreation Department.....	-65,158
Park Department	66,160	Water Department (excl. of Surplus)	-105,302
Public Works Department....	48,821	Hetch Hetchy Power.....	-148,775
Fire Department	38,640	Livestock Building	-250,000
Public Utilities Commission, Airport and Municipal Railway	35,479	Various (9 departments)....	-46,719
Total Net Increase.....		Total decreases	\$ -705,626
Deduct increased amount of transfers.....			
Total Actual Increase.....			\$2,596,180
			1,030,692
			\$1,565,488

tion of 1928 Hetch Hetchy bonds begins. The increase of \$157,630 shown for schools is an increase in operating costs, mainly payroll. The cost of construction of the first unit of the San Francisco Junior College is contemplated out of the appropriation for building construction and maintenance, which is not increased.

The increase of over \$152,000 in the amount of Water Department surplus transferred to the General Fund represents almost exactly the amount of additions and betterments requested by the department and disallowed by the Mayor. The transfer of this surplus, aggregating over \$1,400,000 this year, is due also to a continuation of the policy—which will be costly in the long run—of using Federal PWA grant funds for the payment of current interest and redemption charges (\$815,906) on the 1933 Water Distribution bonds, instead of the more economical policy of paying these debt charges out of the revenues of the department and using grant funds to cancel bonds, preferably bonds due for redemption in later years.

The increase of \$133,500 for the construction of street lighting systems is for the installation of such systems on Van Ness Avenue, Folsom, Sixth, Harrison and Bryant Streets. It is proposed that such construction be under-

taken concurrently with the narrowing of sidewalks contemplated on each of these streets. According to the Manager of Utilities, the installation of city-owned systems will result in an average saving of 9% on the street-lighting bills for such streets.

The increase of over \$121,000 in employees' retirement fund is due in part to increased "old" fire and police pension costs, for which no reserves have been set up in the past. The major part of the increase, however, is due to the large number of police officers who took advantage of the charter option and transferred from the "old" police pension system to the new system established by the new charter. No appropriations have been made since the new charter became effective to cover prior or current service for "old" firemen and policemen, the deficit to date aggregating about \$2,800,000. With the transfer to the new pension system, however, the officers are required to contribute toward the costs of the benefits to accrue to them, the City is required to match contributions made by the officers, and, as stated, this accounts for the major portion of the \$121,000 increase.

Comparative Decreases

Among the important decreases is \$250,000 appropriated in 1935-36 for the Livestock Exposition, which is a non-recurring item. A decrease of over \$148,000 in Hetch Hetchy power represents a decreased expenditure in this department due to an estimated decrease in revenues. A decrease of about \$105,000 for the Water Department, exclusive of Water Department surplus funds transferred to the General Fund, is due to decreased interest requirements, and reduction in operating costs—largely the elimination of pumping costs due to the completion of gravity-flow pipe lines.

The Mayor vetoed an item of \$10,000 inserted in the budget by the Supervisors as a capital expenditure, the funds to be used toward the purchase of the Humphreys property at Hyde and Chestnut Streets as a site of historic interest to San Francisco. In the Mayor's veto message he pointed out that the City at present is spending about \$600,000 in the maintenance and purchase of similar properties and that "at the present time the spirit of economy in municipal affairs must override sentiment."

Comparative Revenues

The revenues estimated to fund the 1936-37 budget, in comparison with revenues estimated for 1935-36, are shown in the accompanying Table II, together with the amount of increase or decrease in the respective amounts. The largest item of increase is in the revenue to be derived from taxes, the increase amounting to \$1,031,090. The increase in non-tax revenue is shown in a higher amount in the accompanying table, \$1,175,069, but by deducting bond fund and other capital fund revenues to secure a total for current revenue, as is done in the case of expenditures to secure a current expenditure figure, this amount of increase is brought down to \$534,398.

Of the non-tax revenues, the greatest increase is shown in the amount of subventions paid to the City by the State. For 1936-37, these are estimated as

Table II.
1936-37 REVENUE APPROPRIATIONS
 Arranged in Order of Amount
 (Group Totals in Italics)

	1936-37	1935-36	Increase or Decrease
Taxes	\$31,389,050	\$30,357,960	\$1,031,090
<i>Non-Tax Revenue</i>	<i>25,374,529</i>	<i>24,199,460</i>	<i>1,175,069</i>
Water Department	6,339,080	6,291,875	47,205
Subventions, Schools	4,589,713	4,585,034	4,679
Municipal Railway	3,185,597	3,143,926	41,671
Hetch Hetchy Power	2,263,900	2,158,775	105,125
<i>Capital Funds</i>	<i>1,824,748</i>	<i>2,290,600</i>	<i>-465,852</i>
PWA Grants	1,574,748	450,477	1,124,271
Deferred PWA Grants		1,106,523*	-1,106,523
Bond Fund Proceeds	250,000	733,600†	-483,600
Subventions, Gas Tax	1,619,277	1,171,550	447,727
Departmental Revenues	1,488,006	1,213,750	274,256
<i>Social Service Subventions</i>	<i>1,190,000</i>	<i>754,000</i>	<i>436,000</i>
Old Age Pensions	775,000	395,000	380,000
Maintenance of Minors	140,000	126,500	13,500
Widows' Pensions	137,500	117,500	20,000
Tubercular Patients	80,000	60,000	20,000
Blind Pensions	57,500	55,000	2,500
<i>Surpluses</i>	<i>699,908</i>	<i>943,000</i>	<i>-243,092</i>
Hetch Hetchy Power	175,000	414,000	-239,000
Schools	200,000	357,556	-157,556
Interest and Redemption	355,962	129,500	226,462
Municipal Railway	-31,054		-31,054
Various		41,944	-41,944
Subventions, Beverage Fees	600,000	524,000	76,000
Subventions, Motor Vehicle Tax (in lieu of local tax)	425,000		425,000
Licenses	373,300	409,800	-36,500
Franchises	317,700	285,000	32,700
Fines	147,000	109,000	38,000
Permits	84,300	47,150	37,150
Subvention, Fire Boats	82,000	82,000	
Delinquent Tax Penalties and Costs	70,000	90,000	-20,000
Interest Revenue	40,000	75,000	-35,000
Airport	35,000	25,000	-10,000
	<u>\$56,763,579</u>	<u>\$54,557,420</u>	<u>\$2,206,159</u>
Less Bond Funds	250,000	733,600	-483,600
Less PWA Grants (Capital Funds)	1,574,748	450,477	1,124,271
	<u>\$54,938,831</u>	<u>\$53,373,343</u>	<u>\$1,565,488</u>

*Deferred PWA Grant Payments, \$1,106,523, from "Surplus."

†\$6,108 of Bond Funds from "Surplus."

\$8,505,990, an increase of \$1,389,406. Of the subventions, the largest amount of increase is \$447,727 to be received from the so-called gas tax funds. Another large subvention increase is \$425,000 to be paid to the City in its dual capacity as a city and county from the State tax on motor vehicles. This payment is provided by law, in lieu of local taxation on motor vehicles that was in

effect up to this year. This \$425,000 subvention is a larger sum than the City received from the local taxation of motor vehicles last year. Another large subvention increase is \$380,000 for old-age pensions, which sum represents one-half of the City's increased cost for this purpose. The increased subvention to the City from beverage licenses collected by the State is estimated as \$76,000.

Another large item is an estimated increase of nearly \$275,000 in departmental revenues. These include the fees, rentals and other receipts of the several departments for services rendered or facilities furnished. An increased revenue of about \$105,000 is shown for Hetch Hetchy power, although the revenue estimated from this source is actually a decrease under the amount received last year. In fixing the tax rate for 1935-36, an additional \$414,000 was appropriated from Hetch Hetchy power surplus, in addition to the amount appropriated in the budget. (See "surpluses" in Table II.) Other revenue increases in smaller amounts are shown, respectively, for the Water Department, Municipal Railway, franchise taxes, permit fees, fines, and airport.

Among the large decreases in non-tax revenue items is about \$465,000 from capital funds, including bond fund proceeds and Federal PWA grants on account of bond fund expenditures. Another sizeable decrease is about \$243,000 in the amount of surpluses in the various funds estimated to be available. The actual amount of 1935-36 surpluses that may be applied toward 1936-37 expenditures, however, may be increased over the amounts appropriated when the books for 1935-36 are closed. Other decreases in revenues are estimated, respectively, for license fees, the amount of penalties and costs on delinquent taxes, and the amount of interest to be earned by the City on its idle balances.

Failure of 1933 Tax-Reduction Program

The effect of the City's 1936-37 expenditure program, in relation to the savings expected under the Riley-Stewart legislation, is of interest. The several constitutional amendments commonly designated as the "Riley-Stewart Act" were adopted in June, 1933. They provided for a shift of the so-called "county school tax" from the counties to the State, starting with the fiscal year 1933-34. They also provided, effective in 1935-36, for a shift of the operative property of utilities, formerly taxed by the State, to the local assessment rolls.

The tax levy for 1932-33, the "base year" immediately preceding the year in which the Riley-Stewart legislation became effective, was approximately \$31,750,000. In 1933-34 this was reduced by over \$5,160,000, principally by temporary salary deductions and by the transfer to the State of about \$2,800,000 of our school costs previously raised locally by the "county school tax." Since then, practically all of this temporary reduction has been absorbed. The tax levy as estimated for 1936-37 is less than that of the "base year" 1932-33 by only \$363,000. As the amount of "county school costs" transferred to the State approximates \$2,500,000 for this year, it is apparent that the expected

local saving from this source has been practically absorbed by increased local expenditures. In addition to the absorption of the expected tax saving, local non-tax revenues exclusive of bond fund proceeds have been increased since the "base year" 1932-33 by over \$6,300,000.

The second expected tax-saving effect of the Riley-Stewart legislation was to be a reduction in local tax rates in 1935-36 and thereafter by the transfer of public utility property, formerly reserved for taxation by the State, to the local assessment rolls. It is obvious that if assessment rolls were thus increased, and if expenditures were **not** increased, the property that made up the local assessment roll prior to the transfer would be taxed at a lower rate and would pay a lower tax levy.

How much of this potential saving will accrue, this year, to non-utility taxpayers—those on the assessment roll prior to the inclusion of utility property thereon—cannot be determined until the assessment roll is completed and the tax rate fixed. A rough estimate indicates a saving of only about one-fourth. On the basis of last year's tax rate and tax levy, this utility property, added to the local assessment roll, increased the local tax base by 12.1%, and produced a new local tax revenue of about \$3,300,000. Of this, approximately \$1,576,000, equivalent to about 19 cents on the tax rate, accrued as a reduction to the non-utility taxpayers. The balance, approximately, \$1,724,000, equivalent to nearly 21 cents on the tax rate, was absorbed by increased local expenditures.

It is apparent, therefore, that the expected local tax saving intended by the two phases of the Riley-Stewart legislation has been largely absorbed by increased local expenditures.

In addition to the City's inability to maintain these savings of approximately \$5,800,000 a year to local taxpayers, it is estimated that San Francisco citizens and taxpayers have an additional tax burden, payable to the State and growing out of the Riley-Stewart legislation, estimated as approximately \$4,500,000 a year in sales taxes and \$1,000,000 a year in income taxes.

APPENDIX

Table III.

1936-37 BUDGET APPROPRIATIONS
AS COMPARED WITH 1935-36

(Arranged in order of amount)

(Group and Departmental Totals, in *Italics*)

	1936-37	1935-36	Increase —Decrease
1. <i>Debt Charges</i>	<i>\$14,657,560</i>	<i>\$14,539,114</i>	<i>\$118,446</i>
<i>Bond Int. and Redemption</i>	<i>14,517,609</i>	<i>14,328,372</i>	<i>189,237</i>
I. and R., Utility Bonds.....	8,392,533	8,569,453	-176,920
I. and R., General Bonds.....	6,125,076	5,758,919	366,157
Instal. Paym't State Rel. Loan.....	101,727	158,076	-56,349
Interest, State Relief Loan.....	31,224	39,547	-8,323
Interest, Tax Antic. Notes.....	7,000	13,119	-6,119
2. <i>Public Utilities</i>	<i>14,246,764</i>	<i>14,064,852</i>	<i>181,912</i>
<i>Water Department</i>	<i>6,339,080</i>	<i>6,291,875</i>	<i>47,205</i>
Bond Int. and Redemption.....	2,977,025	3,022,025	-45,000
Operation, Taxes, Deprec.....	1,657,688	1,751,107	-93,419
Oper., Payments to Other Depts.....	161,383	127,716	33,667
Additions and Betterments.....	135,000	135,550	-550
Surplus to Gen. Fund.....	1,407,984	1,255,477	152,507
Municipal Railway	3,154,543	3,143,926	10,617
<i>Hetch Hetchy Power</i>	<i>2,438,900</i>	<i>2,587,675</i>	<i>-148,775</i>
H. H. Bond Int. and Red.....	2,116,854	2,220,909	-104,055
Operation, Taxes, Deprec.....	174,103	290,170	-116,067
Oper., Paym't to Other Depts.....	147,943	76,596	71,347
<i>Light and Power</i>	<i>1,816,105</i>	<i>1,661,480</i>	<i>154,625</i>
Lighting Streets	729,500	699,600	29,900
L. and P. for Utilities.....	602,500	623,500	-21,000
L. and P. for Bldgs. and Depts.....	305,905	293,880	12,025
Constr. of St. Lighting System.....	156,500	23,000	133,500
Paym't Services Other Depts.....	21,700	21,500	200
H. H. Water, Operation.....	221,003	127,625	93,378
<i>Airport</i>	<i>186,388</i>	<i>179,754</i>	<i>6,634</i>
Land Purchase	113,550	105,000	8,550
Operation	72,838	61,654	11,184
Buildings and Improvement.....	.....	13,100	-13,100
Public Utilities Commission	90,745	72,517	18,228
3. <i>School Department</i>	<i>10,324,725</i>	<i>10,167,095</i>	<i>157,630</i>
Common School Fund	9,347,725	9,192,095	155,630
Special (Land and Bldgs.)	977,000	975,000	2,000
4. <i>Police Department</i>	<i>3,528,464</i>	<i>3,504,803</i>	<i>23,661</i>
5. <i>Fire Department</i>	<i>3,348,277</i>	<i>3,309,637</i>	<i>38,640</i>
Equipment	95,000	60,200	34,800
Other	3,253,277	3,249,437	3,840

Table III—(Continued)

	1936-37	1935-36	Increase —Decrease
6. <i>Health Department</i>	3,112,952	3,029,352	83,600
San Francisco Hospital	1,363,096	1,330,443	32,653
Central Office (22 div.)	664,698	625,844	38,854
Laguna Honda Home	558,681	565,065	-6,384
Emergency Hospitals	225,305	215,460	9,845
Hassler Health Home	93,850	97,098	-3,248
Isolation Hospital	37,222	38,742	-1,520
Feeble-Minded Care	157,500	145,000	12,500
Burial Indigent Dead	12,600	11,700	900
7. <i>Employees' Retirement Board</i>	2,358,913	2,237,560	121,353
Misc. Employ.; "new" Fire and Pol.	1,234,656	1,146,500	88,156
"Old" Fire Pensions	667,900	654,140	13,760
"Old" Police Pensions	379,000	361,500	17,500
Workman's Compens. Ins.	40,000	40,000	.....
Administration Expense	37,357	35,420	1,937
8. <i>Public Works Department</i>	1,989,563	1,940,742	48,821
Street Cleaning	530,691	510,581	20,110
Building Repair	405,170	398,873	6,297
Street Repair (CRF)	354,213	359,943	-5,730
Engineering	233,255	223,521	9,734
Sewer Cleaning and Repair	217,294	217,230	64
Bridge Operation (CRF)	64,574	61,653	2,921
General Office	52,869	53,504	-635
Building Inspection	44,920	45,570	-650
Side Sewers	35,000	22,000	13,000
Accounts	27,595	27,535	60
Permits	16,500	16,500	.....
Sewage Pumping Station	7,482	3,832	3,650
9. <i>County Welfare</i>	1,975,940	1,212,960	762,980
Old Age Pensions	1,550,000	820,000	730,000
Widows' Pensions	250,000	235,000	15,000
Blind Pensions	115,000	110,000	5,000
County Welfare Dept.	60,940	47,960	12,980
10. <i>Capital Funds</i>	1,824,748	1,184,077	640,671
1933 Water Bonds—Grant	807,262	724,245	83,017
1934 School Bonds—Grant	344,251	77,192	267,059
1933 H. H. Dam Bonds—Grant	255,495	51,467	204,028
1932 H. H. Water Bonds	250,000	250,000	.....
1933 High Pressure—Grant	106,538	6,791	99,747
1933 Sewer Bonds—Grant	61,202	61,102	100
1933 Airport Bonds—Grant .....	.....	13,280	-13,280
11. <i>Unemployment Relief</i>	1,300,000	1,000,000	300,000
Direct Relief	900,000	800,000	100,000
City's Costs, WPA Projects	400,000	200,000	200,000
12. <i>Park Department</i>	1,276,088	1,209,928	66,160
Operation	1,172,672	1,087,447	85,225
Land Purchase, Installments	68,416	87,481	-19,065
Palace of Fine Arts	35,000	35,000	.....
13. <i>Gasoline Tax Funds</i>	1,200,590	750,054	450,536
(Shown in P. W. Dept.)	(418,787)	(421,596)	.....
Street Construction	331,440	477,554	182,626
Unappropriated Surplus	328,740	.....	.....
Bldg. Bond Int. and Red., part	200,000	200,000	.....

Table III—(Continued)

	1936-37	1935-36	Increase —Decrease
Gasoline Tax Funds—(Continued)			
Reimburse State, Bridge Approach.....	97,500	.....	97,500
Repairs, 3 Bridges	48,260	.....	48,260
Lighting Boulevards	40,000	.....	40,000
Golden Gate Br. Approach, part.....	40,000	.....	40,000
St. and Traffic Signs, Signals.....	36,500	45,000	-8,500
Two Joint Highway Districts.....	34,150	25,000	9,150
Tree and Parkway Maint.....	22,500	.....	22,500
Engineering Traffic Studies.....	20,000	.....	20,000
Cost of Purchasing Land.....	1,500	2,500	-1,000
14. Purchaser	1,077,288	823,102	254,186
Materials and Supplies, var. Depts.....	320,892	178,190	142,702
Equipment, various Departments.....	262,290	168,608	93,682
Contrac. Service. var. Depts.....	162,335	161,410	925
Official Bonds, various Depts.....	18,850	18,000	850
Bur. of Supplies Repair Shops.....	180,390	174,480	5,910
Bureau of Supplies.....	131,849	121,932	9,917
Services of other Departments.....	682	482	200
15. Finance and Records.....	719,662	728,631	-8,969
Registrar of Voters.....	270,557	283,875	-13,318
Special Election Fund.....	.....	937	-937
Tax Collector	159,823	155,040	4,783
County Clerk.....	151,152	148,220	2,932
Recorder	89,745	93,620	-3,875
Public Administrator	40,375	40,789	-414
Director's Office	8,010	6,150	1,860
16. Juvenile Court	652,618	674,960	-22,342
Maintenance of Minors.....	525,000	550,000	-25,000
Juvenile Probation Office	73,275	69,235	4,040
Juvenile Detention Home.....	36,843	38,225	-1,382
Maint. Minors, State Schools.....	17,500	17,500	.....
17. Recreation Department	611,564	676,722	-65,158
Operation	481,564	483,722	-2,158
Land Purchase	130,000	193,000	-63,000
18. Public Library	454,360	424,554	29,806
Operation	349,360	329,389	19,971
Books and Bindery Materials.....	80,000	19,665	60,335
Binding	25,000	35,500	-10,500
New Branches .....	.....	40,000	-40,000
19. Controller	395,698	378,806	16,892
Controller's Office	229,082	219,960	9,122
Tax Judgments Fund	104,616	93,846	10,770
Judgments and Claims	45,000	56,000	-11,000
Legislative Expense	12,000	.....	12,000
Auto Liability Claims	5,000	9,000	-4,000
20. Sheriff	378,988	355,455	23,533
21. Emergency Reserve	300,000	100,000	200,000
22. Superior Court	242,855	238,659	4,196
Superior Court	202,855	198,659	4,196
Maintenance, Criminal Insane.....	17,000	17,000	.....
Examination of Insane.....	12,000	12,000	.....
Grand Jury Expense	11,000	11,000	.....

Table III—(Continued)

	1936-37	1935-36	Increase —Decrease
23. Assessor	237,102	244,297	-7,195
24. Municipal Court	220,128	220,500	-372
25. Department of Electricity.....	201,668	206,112	-4,444
Operation	198,668	203,112	-4,444
Installation Fund	3,000	3,000	.....
26. Publicity and Advertising.....	200,000	175,000	25,000
27. Board of Supervisors.....	121,535	115,525	6,010
28. War Memorial	118,248	106,634	11,614
Memorial and Opera House.....	103,843	92,229	11,614
Art Museum	14,405	14,405	.....
29. District Attorney	110,095	108,490	1,605
30. City Attorney	100,900	98,200	2,700
31. M. H. deYoung Museum	83,080	73,530	9,550
32. Director of Property	78,931	77,601	1,330
Auditorium	51,079	51,979	-900
Real Estate Department.....	17,100	14,870	2,230
Rental, 333 Kearny Street.....	10,752	10,752	.....
33. Calif. Palace, Legion of Honor.....	74,966	70,711	4,255
34. Art Commission	69,655	83,105	-13,450
Symphony and Municipal Band.....	65,000	73,350	-8,350
Commission	4,655	4,955	-300
Municipal Chorus .....	.....	4,800	-4,800
35. Civil Service	65,080	60,660	4,420
36. Coroner	59,564	52,865	6,699
37. Treasurer	55,550	45,885	9,665
38. Mayor	47,580	47,580	.....
39. Steinhart Aquarium	40,500	40,500	.....
40. Chief Administrative Officer.....	22,350	271,250	-248,900
Livestock Exposition .....	.....	250,000	-250,000
C. A. O. Office.....	22,350	21,250	1,100
41. Adult Probation	27,165	25,585	1,580
42. Sealer of Weights and Measures.....	21,715	22,165	-450
43. Agricultural Commission	19,560	20,740	-1,180
44. Public Defender	18,645	18,655	-10
45. Public Pound (S. P. C. A.)	18,000	17,000	1,000
46. City Planning	15,820	14,650	1,170
47. Law Library	11,490	11,790	-300
48. Board of Permit Appeals.....	8,020	8,020	.....
	\$68,024,964	\$64,788,113	\$3,236,851
Less Gen'l Fund Intra-Fund Transfers.....	996,512	731,933	264,579
	67,028,452	64,056,180	2,972,272
Less Inter-Fund Transfers	10,264,873	9,498,760	766,113
	56,763,579	54,557,420	2,206,159
Less Capital Funds	1,824,748	1,184,077	640,671
Net Current Budget	\$54,938,831	\$53,373,343	\$1,565,488

Table IV.
SALARY INCREASES IN 1936-37 BUDGET

(Rates shown are monthly, except where marked "d" to indicate "per day")

Department and Position	No.	Former Rate	New Rate	Total Annual Increase
Board of Supervisors (2—\$600):				
Chief Assistant Clerk	1	\$350	\$375	\$300
Bond and Ordinance Clerk.....	1	200	225	300
Mayor (3—\$480):				
Special Messenger	1	165	175	120
Secretarial Telephone Operator	1	150	155	60
Inspector of Complaints.....	1	275	300	300
(Increase, portion of year only)				
Assessor (13—\$1,860):				
Senior Improvement Appraiser	1	265	300	420
General Clerk—Temporary	12	150	160	1,440
City Attorney (1—\$2,400):				
Principal Attorney—Civil	1	600	800	2400
District Attorney (3—\$1,380):				
General Clerk—Stenographer	1	150	175	300
Senior Attorney—Criminal	1	200	250	600
Senior Attorney—Criminal	1	150	190	480
Treasurer (3—\$1,440):				
Accountant	1	200	240	480
Teller	1	180	210	360
Assistant Cashier	1	325	375	600
Sheriff (14—\$2,880):				
General Clerk—Typist	2	155	175	480
Head Keeper	1	185	200	180
Woman Bailiff	3	160	170	360
Jail Matron	3	170	190	720
Jailer	4	170	190	960
Superintendent of Jail	1	235	250	180
Police (2—\$360):				
General Clerk—Stenographer	1	150	175	300
Jail Matron	1	170	175	60
Fire (2—\$240):				
Multigraph Operator	1	155	165	120
General Clerk—Stenographer	1	150	160	120
Park (11—\$1,920):				
Accountant	1	175	200	300
Chief Cashier	1	185	200	180
General Clerk—Stenographer	2	100	115	360
Assistant Superintendent	1	250	275	300
Supv. of Supplies and Equipment.....	1	200	225	300
Time Keeper	1	135	150	180
Golf Starter	1	150	175	300
Inspector of Personnel	1	8.00 d.	200	
Assistant Superintendent	1	8.50 d.	225	
Assistant Superintendent	1	8.50 d.	225	

Table IV—(Continued)

Department and Position	No.	Former Rate	New Rate	Total Annual Increase
Recreation (38—\$6,660):				
General Clerk	2	150	165	360
General Clerk—Stenographer	1	125	155	360
General Clerk—Stenographer	1	160	175	180
Clerk Typist	1	125	140	180
Senior C. E. Draftsman	1	210	225	180
Superintendent of Grounds	1	175	200	300
Gardener	4	135	145	480
Playground Director	2	150	165	360
Playground Director	1	175	185	120
Playground Director	10	125	145	2,400
Playground Director	2	135	145	240
Playground Director	4	130	145	720
Playground Director	4	140	145	240
Playground Director	2	160	165	120
Camp Manager	1	200	225	300
Swimming Supervisor	1	175	185	120
Public Library (37—\$4,680):				
Book Repairer	1	90	110	240
Librarian	5	100	110	600
Librarian	2	110	120	240
Librarian	15	120	130	1,800
Librarian	9	130	140	1,080
Librarian	2	140	150	240
Librarian	2	150	160	240
Librarian	1	120	140	240
War Memorial (3—\$300):				
General Clerk—Stenographer	1	150	155	60
Janitor Sub-Foreman	1	160	170	120
Window Cleaner	1	160	170	120
California Palace of the Legion of Honor (4—\$480):				
Librarian	1	85	110	300
Caretaker	3	85	90	180
deYoung Museum (16—\$3,960):				
Director	1	491	591	1,200
Recorder	1	125	150	300
Secretary	1	150	175	300
Instructor	2	125	150	600
Assistant Instructor	1	100	110	120
Stenographer	1	100	125	300
Clerk	1	100	110	120
Mechanic	1	180	190	120
Head Caretaker	1	95	100	60
Caretaker	4	85	90	240
Assistant Head Galleryman	1	125	150	300
Expert Repair Man	1	125	150	300
Municipal Court (3—\$1,200):				
Senior Civil Law Clerk	1	200	240	480
Chief Assistant Clerk	1	240	275	420
Civil Law Clerk	1	175	200	300

Table IV—(Continued)

Department and Position	No.	Former Rate	New Rate	Total Annual Increase
Superior Court (2—\$480):				
Interpreter	2	155	175	480
Law Library (1—\$300):				
Law Librarian	1	425	450	300
Juvenile Court (6—\$1,380):				
General Clerk—Stenographer	1	150	160	120
Probation Officer	2	180	195	360
Senior Probation Officer	1	225	235	120
Senior Probation Officer	1	225	240	180
Referee (Part Time)	1	200	250	600
Juvenile Detention Home (3—\$354):				
Woman Attendant	1	88	100	144
Assistant Superintendent	1	167.50	175	90
Kitchen Helper	1	68	78	120
Adult Probation (4—\$1,380):				
Probation Officer	1	180	200	240
Probation Officer—Stenographer	1	190	200	120
Chief Probation Officer	1	250	325	900
Probation Officer	1	180	190	120
Chief Administrative Officer (1—\$900):				
Executive Secretary	1	250	325	900
Tax Collector (17—\$2,940):				
Senior Teller	1	215	240	300
General Clerk	3	165	175	360
Director, License Bureau	1	200	225	300
General Clerk—Stenographer	1	155	175	240
Director, Delinquent Revenue Coll.....	1	350	375	300
General Clerk—Stenographer	1	150	155	60
(Temporary to permanent)				
General Clerk	1	150	155	60
License Adjuster	2	190	215	600
General Clerk	6	150	160	720
Registrar of Voters (2—\$540):				
General Clerk	1	155	175	240
Custodian, Voting Machines	1	225	250	300
Recorder (1—\$180):				
Chief Clerk	1	265	280	180
Purchaser (9—\$1,680):				
General Clerk	1	150	165	180
Tabulating Machine Operator	3	150	155	180
General Storekeeper	1	175	200	300
General Storekeeper	1	175	180	60
Produce Buyer and Storekeeper.....	1	130	150	240
General Clerk—Stenographer	1	150	155	60
General Clerk—Stenographer	1	100	155	660
Engineering (4—\$480):				
General Clerk—Stenographer	1	150	155	60
General Clerk—Typist	1	150	155	60
Junior C. E. Draftsman.....	1	160	175	180
Junior C. E. Draftsman.....	1	160	175	180

Table IV—(Continued)

Department and Position	No.	Former Rate	New Rate	Total Annual Increase
Street Cleaning (1—\$120):				
Watchman	1	145	155	120
Electricity (4—\$690):				
Lineman	3	185	200	540
Garageman	1	150	162.50	150
Health Department, Central Office (26—\$5,544):				
General Clerk—Stenographer	1	150	160	120
General Clerk—Stenographer	4	100	125	1,200
Assistant Director	1	400	450	600
General Clerk—Stenographer	1	150	160	120
Hospital Statistician	1	180	190	120
Market Inspector	1	185	200	180
Institutional Help	1	77.50	79.50	24
Bacteriologist Milk Inspector	1	200	250	600
Food and Restaurant Inspector.....	10	175	185	1,200
Food Chemist Assistant	1	100	125	300
Industrial Inspector	1	175	185	120
Chief Industrial Inspector	1	250	275	300
Chief Housing Inspector	1	250	275	300
General Clerk—Stenographer	1	125	155	360
Lagunda Honda Home (97—\$3,864):				
General Clerk (part time).....	1	75	100	300
Telephone Operator	1	100	125	300
Butcher	1	100	125	300
Institutional Help	91	77.50	79.50	2,184
Institutional Attendant	1	115	140	300
Gardener	1	75	100	300
Head Seamstress	1	115	125	180
Isolation Hospital (20—\$480):				
Institutional Help	20	77.50	79.50	480
San Francisco Hospital (415—\$12,636):				
General Clerk	1	150	160	120
General Clerk	1	150	165	180
General Clerk	1	100	125	300
Clerk—Stenographer	7	100	125	2,100
Institutional Help	404	77.50	79.50	9,696
Assistant Superintendent of Nursing.....	1	150	170	240
Hassler Health Home (21—\$1,080):				
Institutional Help	20	77.50	79.50	480
Medical Superintendent	1	260	310	600
County Welfare (7—\$1,980):				
Junior Social Service Investig.	3	150	165	540
Junior Social Service Investig.	4	150	180	1,440
Coroner (1—\$900):				
Autopsy Surgeon	1	250	325	900
Weights and Measures (1—\$300):				
Sealer of Weights and Measures.....	1	300	325	300
Controller (33—\$7,014):				
Bookkeeper	8	175	185	960
Bookkeeper	1	175	180	60
Senior Bookkeeper	3	190	200	360
Senior Bookkeeper (Supv. Budg. Statistics)..	1	190	250	720

Table IV—(Continued)

Department and Position	No.	Former Rate	New Rate	Total Annual Increase
Controller—(Continued)				
Senior Accountant (Supv. General Audits)....	1	275	325	600
Senior Accountant	2	275	285	240
Chief Assistant Controller	1	500	575	900
Supervisor of Payrolls	1	300	310	120
Office Assistant (part time).....	1	75	79.50	54
General Clerk	1	160	175	180
General Clerk	1	150	155	60
Senior Clerk	1	175	185	120
Head Clerk	1	200	210	120
Tabulating Machine Operator	1	150	155	60
General Clerk—Stenographer	3	150	155	180
Confidential Secretary	1	200	225	300
Secretarial Telephone Operator	1	150	155	60
General Clerk—Typist	2	150	155	120
Senior Attorney—Civil	1	250	400	1,800
(Changed to "full time")				
City Planning (1—\$900):				
City Planning Engineer	1	275	350	900
Public Utilities Commission (2—\$900):				
Director of Public Relations.....	1	350	400	600
General Clerk—Typist	1	150	175	300
Public Utilities Engineering Bureau (2—\$900):				
Electrical Engineer	1	275	300	300
Electrical Engineer	1	300	350	600
Airport (2—\$2,400):				
Assistant Superintendent	1	200	250	600
Superintendent	1	350	500	1,800
Water Department (2—\$300):				
Assistant Engineer Water Sales.....	1	360	375	180
Supervisor, Consumers' Accounts	1	340	350	120
Civil Service (11—\$2,820):				
General Clerk	4	155	165	480
Head Clerk	1	200	215	180
General Clerk—Stenographer	1	150	155	60
Civil Service Examiner	1	225	250	300
Civil Service Examiner	1	200	225	300
Personnel Expert	1	400	450	600
Chief Examiner and Secretary.....	1	416	466	600
Assistant Personnel Expert	1	225	250	300
Totals, General Departments.....	850			84,282
School Department (1,163—\$128,040):				
Law Clerk (incr., part of year only).....	1	250	275	300
Senior Bookkeeper	1	190	220	360
Office Assistant	1	75	85	120
Senior Clerk	1	180	190	120
Comptometer Operator	1	145	155	120
General Clerk—Stenographer	19	155	175	4,560
General Clerk—Stenographer	1	155	165	120
General Clerk—Stenographer	6	145	155	720
General Clerk—Stenographer	10	140	150	1,200
Senior Clerk—Stenographer	1	190	200	120
General Clerk—Typist	1	155	175	240
General Clerk—Typist	3	145	155	360

Table IV—(Continued)

Department and Position	No.	Former Rate	New Rate	Total Annual Increase
School Department—(Continued)				
Clerk—Stenographer	31	5 d.	6 d.	6,231
Sub-Foreman Janitor	7	160	170	840
Janitor	7	145	155	840
Pantry Maid	1	50	75	300
Gardener	8	5 d.	145	1,920
	100			18,471
Teachers and other certificated employees....	1,063	var.	var.	109,569
Totals, School Department.....	1,163			128,040
Totals, All Departments.....	2,013			212,322

**Positions Reclassified, Considered as New by the Civil Service Commission,
Having the Effect of Increasing Salaries**

Former Title	New Title	No.	Former Rate	New Rate	Total Annual Increase
Board of Supervisors:					
Sr. Clerk-Steno.....	Asst. Clerk, Bd. of Supervisors	3	200	225	900
Assessor:					
Chief Teller-Cashier....	Supv. of Accts. and Records	1	250	300	600
Senior Clerk.....	Sr. Clerk Research Assistant	1	190	250	720
District Attorney:					
Criminal Law Clerk.....	Attorney, Criminal	1	200	250	600
Criminal Law Clerk.....	Attorney, Criminal	1	190	250	720
Police:					
Secretary, Pol. Com.....	Secretary and Chief Clerk	1	325	400	900
S. F. Hospital:					
General Clerk.....	Gen'l Clerk-Typist	1	150	160	120
Controller:					
Head Clerk.....	Accountant	1	200	210	120
Public Utilities Commission (Engineering):					
Chief Electrical Engineer.....	Mgr. & Chief Engineer Elec. Power Bureau.....	1	650	833	2,196
Water Department:					
Water Pur. Engr.....	Chief Water Purification Engineer	1	200	350	1,800
		12			\$8,676
GRAND TOTALS		2,025			\$220,998

Table V.
NEW POSITIONS ESTABLISHED IN 1936-37 BUDGET

Department—	No.	Total Annual Increase
Assessor	1 (Replacement)	\$ 1,860
Sheriff	5	11,160
	3 (Replacement)	6,120
Police	2	3,960
Fire	1 (Replacement)	2,160
Recreation	3	5,220
Public Library	7	7,440
War Memorial	5	8,700
deYoung Museum	2 (Replacement)	3,000
Superior Court	1	1,500
Juvenile Detention	1 (Replacement)	960
Tax Collector	1 (Replacement)	1,860
Registrar of Voters	1 (Replacement)	1,860
		3,100
County Clerk	1 (Replacement)	1,860
Purchaser	5	9,180
Works	1 (Replacement)	1,860
Building Repair	2 (Replacement)	3,480
Engineering	1 (Replacement)	4,800
Street Cleaning	6	12,225
Health, Central Office.....	22	39,900
	2 (Replacement)	520
San Francisco Hospital.....	15	13,800
	4 (Replacement)	4,800
Emergency Hospitals	4	7,320
Hassler Health Home.....	1 (Replacement)	1,500
Coroner	3	3,480
Sealer of Weights and Measures.....	1 (Replacement)	2,100
Controller	5	10,200
City Planning	1	900
Public Utilities	2	6,720
Airport	1 (Replacement)	1,800
	1	1,800
Municipal Railway	11	16,111
Water Department	7	15,300
	6 (Replacement)	9,480
Board of Education—Non-		
Certificated Force	13	21,540
	4 (Replacement)	6,240
Civil Service	1 (Replacement)	1,860
Retirement System	1	1,860
GRAND TOTAL	154	\$259,536
Total Replacements	35	\$ 58,120
Total New Positions	119	201,416
	154	\$259,536

The City

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Vol. XVI

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No. 3

Propositions on the November Ballot San Francisco Proposition

Issued by the

San Francisco Bureau of Governmental Research

58 Sutter Street, San Francisco, California

"An incorporated non-partisan citizens' agency to study public business, cooperate with officials and specifically work for economy and efficiency in municipal affairs."

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Propositions on the November Ballot

1. (Dropped from Ballot.)
2. Personal Income Taxes. (Initiative.)
3. Liquor Control. (Initiative.)
4. Prohibiting Tideland Surface Oil Drilling. Authorizing Slant Drilling from Uplands. (Initiative.)
5. Los Angeles County Exposition Bonds.
6. Amending Los Angeles City Charter.
7. County and Municipal Civil Service. (Initiative.)
8. Registration of Voters.
9. Intoxicating Liquors. Local Option. (Initiative.)
10. Motor Vehicle Fuel Taxes and License Fees. (Initiative.)
11. Instructors' Tenure. (Initiative.)
12. Court of Criminal Appeals.
13. Eminent Domain.
14. Consolidated City and County Government.
15. Relief to Assessment Districts.
16. Water Districts and Water Conservation Districts. Temporary Transfer of Funds to Pay Bonds of Political Subdivisions.
17. Computing Taxes on Unsecured Property.
18. Oleomargarine Tax. (Referendum.)
19. Legislative Printing.
20. Publicly-Owned Museums or Art Galleries.
21. Penal Institutions for and Punishment of Female Felons.
22. Retail Store License. (Referendum.)
23. Public Service Commission.
24. Charters of Cities and Cities and Counties.

San Francisco Proposition

1. Selection of San Francisco Superior Court Judges.

State Propositions on the November Ballot

The voters of California must pass on 23 State measures on the ballot. Originally, there were 24 measures, but Proposition No. 1, an initiative measure, was ordered dropped from the ballot by the California Supreme Court, on the ground that the title was misleading.

Of the 23 measures on the ballot, 14 are referred to the voters by the Legislature, seven by initiative petition, and two by referendum petition.

Measures submitted by the initiative originate with interested groups, sometimes formed for that purpose only, who secure the required number of signatures of registered voters to insure submission of their measure at the next election. Referendum measures are laws passed by the Legislature that meet with opposition by the public. Interested groups thereupon circulate petitions, secure the necessary number of signatures and the measure is prevented from becoming effective until the people signify their desires in the matter at the next election. In the following discussion the initiative and referendum measures are so noted after their respective titles. The other measures represent constitutional amendments.

Proposition No. 2 on the ballot, repeal of the personal income tax act, is the only measure dealing with an important revenue and taxation matter. The others are regulatory measures or deal with matters of governmental procedure. Many of the propositions submitted would probably be unnecessary if the State Constitution included only enabling legislation rather than detailed restrictive matter included therein.

Proposition No. 2

PERSONAL INCOME TAXES. Initiative

This measure, submitted to the voters by an initiative petition, provides for the repeal of the "Personal Income Tax Act of 1935", which was adopted by the State Legislature. Also it would, by amending Section 11 of Article XIII of the Constitution, prohibit the adoption of similar legislation in the future, unless submitted to and approved by a majority of the electors at a general election.

The 1935 Income Tax Act provides for a tax on the net income of every resident (exemptions of \$1000 for single persons and \$2500 if married) and all estates and trusts in California, at rates approximating one-third of the rates fixed by the Federal Government in the Revenue Act of 1934 for Federal income taxes. The rates range from 1 per cent on incomes of \$5,000 and under up to a maximum of 15 per cent on incomes of \$250,000 or more. The 1935 legislative act enlarges the scope of the Federal Statute, by including all employees of the State or any subdivision thereof.

The 1935 Income Tax Act is now in effect and a tax on 1935 incomes

has been levied. Repeal of the Income Tax Act would reduce the State's revenue by an estimated \$10,000,000 per year.

The claim is made by opponents of the personal income tax that it tends to drive capital out of the State and tends to bar wealthy individuals from selecting this State for a permanent residence. It is contended that the development of resources, capital and wealth of the State has been greatly increased in the past by persons of wealth who were attracted to California by its climate and ideal living conditions.

On the other hand, those supporting the income tax hold that it is only fair to retain this tax if the sales tax is also retained, as the income tax is applied in the main to those having above-average incomes, whereas the sales tax is considered to be more of a burden on the person of average or below-average income. Also, that loss of the income tax revenue will be harmful to the State's finances, already out of balance, or will result in taxation in some other form that may be even more objectionable to those opposing the income tax. Many tax experts hold that a net income tax is a fair tax, and should be a party of a well-balanced State tax structure. Twenty-nine States now have some form of tax on individual incomes.

Proposition No. 3

LIQUOR CONTROL. Initiative

This is one of two initiative measures (See Proposition No. 9) designed to reorganize existing methods of liquor control. The act provides for an amendment to Article XX, Section 23 of the Constitution by granting the State the sole and exclusive right to regulate and license the sale, transportation and manufacture of liquor. The amendment creates a State Alcoholic Beverage Commission consisting of three members appointed for six-year terms, at salaries of \$8000 per year, each. The Governor, Lieutenant Governor, and the Attorney General will each appoint one commissioner for the first term and thereafter all commissioners will be appointed by the Governor. Appointments are subject to confirmation by a two-thirds vote of the Senate. The act provides for enforcement of laws, rules and regulations by local officers. It also provides that 75 per cent of all liquor license fees collected shall be returned to the locality wherein the collection was made.

As this is a regulatory measure, and not within the Bureau's field, it is not analyzed nor commented on here.

Proposition No. 4

PROHIBITING TIDELAND SURFACE OIL DRILLING

Authorizing Slant Drilling From Uplands. Initiative

This is an initiative measure which would permit slant drilling of oil wells, from the uplands into State-owned tidelands, by private corporations on a 14 $\frac{2}{7}$ per cent royalty basis. It would prohibit drilling directly on tide-

lands, in order to prevent beach pollution. The royalty will be divided equally between the State general fund and State park fund.

Being a regulatory measure, this has not been analyzed by the Bureau.

Proposition No. 5

LOS ANGELES COUNTY EXPOSITION BONDS

Proposition No. 5 will, if approved by the voters, add Section 18a to Article XI of the Constitution, which will permit the voters of Los Angeles County to incur a maximum indebtedness of \$5,000,000 by an affirmative vote of two-thirds of the voters, such funds to be turned over to the Pacific Exposition Company, a private corporation, for the purpose of holding an exposition.

A similar proposition, adding Section 8a to Article XI, was approved by the voters of the State on November 8, 1910, for the purpose of permitting San Francisco to turn over to the Panama-Pacific International Exposition Company park lands and the proceeds of a bond issue to be voted for the purpose of holding a fair.

The Los Angeles Exposition to commemorate the completion of Boulder Dam was originally expected to be held in 1939 at the same time as the Golden Gate International Exposition is held locally. Some doubt has been expressed, both in the south and locally, as to whether such a Los Angeles Exposition could be completed between now and 1939.

The argument has been advanced that this exposition will tend to attract visitors from the Golden Gate International Exposition. On the other hand, the same argument is used to show that the greater number of attractions California has to offer potential visitors to the State, the greater number of visitors can be expected in both areas in the State. Also, that once the visitor is in the State, the Golden Gate International Exposition will not be overlooked nor passed up.

This legislation is permissive only. A final decision in the matter is left up to the Los Angeles voters, who would have to vote on the proposed bond issue.

Proposition No. 6

AMENDING LOS ANGELES CITY CHARTER

This is a companion measure with Proposition No. 5 and authorizes procedure for amending the Los Angeles City Charter in order to grant Pacific Exposition Company, a corporation, the right to use, for a limited period, lands of the Los Angeles Board of Education or of the city for the purpose of holding an exposition. The arguments advanced for and against No. 5 also apply to this measure.

Proposition No. 7**COUNTY AND MUNICIPAL CIVIL SERVICE. Initiative**

This initiative measure, sponsored by the California Federation of Civil Service Associations, an organization of public employees, proposes to extend civil service to every county and city in the State having over 1000 population.

It is the contention of many informed officials of San Francisco and other cities that the civil service procedure established by charter in various cities and counties, including the City and County of San Francisco, will be governed to a large degree by the terms and provisions of the proposed constitutional amendment; and that many of existing civil service provisions of the San Francisco charter and similar provisions in other city and county charters will be superseded by provisions of this proposed State act, or by State statutes enacted under authority thereof. To this extent, and as applied to San Francisco, this would be a backward step, and an abandonment of the principle of "home rule" as applied to civil service.

The measure itself is quite long, and perhaps much too detailed for inclusion as a constitutional provision.

The main features of the proposed amendment are as follows: Provision is made for appointment by the Board of Supervisors of a County Civil Service Commission of three members for nine-year terms, no salary being specified. All positions in cities and counties, except specific exclusions and except such positions excluded by the San Francisco and other charters named in the act, will be brought under civil service. The incumbents in such positions, who have been so employed for one year, will be "blanketed in" to such positions. Procedure is established for appointment, employment and dismissal of employees. Definite and exclusive causes for removal are provided, with the highly undesirable provision that dismissal by department heads, even if approved by civil service commissions, may be taken into court.

In the case of classification of employments the act provides that "officers and employments may be classified and reclassified by applicable State statute", which would vest this power in the hands of the State Legislature. Classification is a technical detail of civil service administration and should not be subject to legislative determination, with inevitable politics and discrimination. Also local classification, such as is in effect in San Francisco, should not be subject to change by "applicable State statute" enacted in Sacramento—which various city attorneys think may be the case under this amendment.

Emergency appointments of temporary employees is limited to 15 days in any fiscal or calendar year. The limit, under the San Francisco charter, is 90 days in any fiscal year, and even this has proved to be too short a period in some cases, to allow for the necessary examination and the establishment of an eligible list. This 15-day provision is too restrictive and could cause considerable confusion and disruption of service under some conditions.

The measure, in the main, favors the interests of incumbent employees

along the lines of "blanketing in", permanent tenure, and restrictive dismissal provisions.

The proper extension of the principle of civil service to many counties and cities would be an improvement in governmental service for the public. However, the principle of extension of civil service by State constitutional amendment to all local county and city governments, with wide variations in size, local conditions, and existing civil service or other public employment systems, does not seem to be the right method. The amendment has this concluding sentence, "Every provision conflicting herewith in any particular, of this Constitution and of other law is repealed". It is contended by attorneys who have studied the measure that this sentence will probably repeal provisions of charters in conflict with the provisions of this measure and also bar charter amendments in conflict therewith.

Likewise, various important provisions of the amendment are to be "defined (or fixed) by charter or applicable State statute". This, attorneys contend, probably means that regardless of a local charter provision—a San Francisco charter provision, for example,—the State Legislature from time to time "by applicable State statute" could change our local civil service procedure.

The amendment can be of no benefit to San Francisco and may, if adopted, prove to be highly detrimental.

Proposition No. 8

REGISTRATION OF VOTERS

This measure will, if approved by the voters of the State, add Section 7 to Article II of the Constitution, turning full authority over to the Legislature to revise, supplement *or repeal* the initiative amendments to the Political Code providing for permanent registration of voters, adopted by the voters at the November 4, 1930 election. This initiative proposition provided for permanent registration of voters instead of the former practice of requiring every voter to re-register every two years. The existing legislation provides that the voter, once registered, shall remain on the register and need not re-register, if he or she votes at either the August primary or the November general election. Failure to vote at both of these elections means the voter's name will be stricken from the register, the voter notified thereof and required to re-register in order to vote again.

It is probable that the intent of this proposed amendment is expressed in the word "repeal", as existing legislation empowers the Legislature to amend in all particulars, excepting a change to periodic re-registration.

The Commonwealth Club, sponsor of the existing permanent registration plan and legislation, has compiled considerable material on the subject showing that the permanent registration law has operated successfully. This data shows that in 25 principal counties the average number of names stricken

from the great register in 1935, following the election in the fall of 1934, ranged from 6 to 29.5 per cent of the total number registered. The cost of notifying and re-registering an average of 20 per cent of the voters every two years is obviously far less than the cost of re-registering all of the voters each biennium.

Likewise, the convenience to the great majority of voters in being permanently registered, and not having to re-register every two years—with some loss of votes by failure to observe registration dead-line dates—would appear to be of importance.

Proposition No. 9

INTOXICATING LIQUORS, LOCAL OPTION. Initiative

This is the second of two initiative constitutional amendments on the liquor question (See No. 3) and would, if adopted, substitute local option for the State control of intoxicating liquor. The measure would transfer to cities, towns, counties and cities and counties and unincorporated territory outside cities, the power to regulate, zone and prohibit the sale of alcoholic beverages within their respective limits.

This, being a regulatory measure, and therefore not within the Bureau's field, is not analyzed nor commented on here.

Proposition No. 10

MOTOR VEHICLE FUEL TAXES AND LICENSE FEES. Initiative

This proposed initiative measure would add Article XXVI to the Constitution which would limit the use of fuel or gasoline taxes and motor vehicle license fees to the construction, improvement, maintenance and repair of public streets and highways and the acquisition of property for rights of way, and continuing the present division of funds between the states, counties and cities. Vehicular license fees may be also used for payment of highway bond interest and redemption charges voted prior to January 1, 1935. One of the minor provisions in the proposed measure is a clause that would permit the use of road funds for refunding assessment bonds as provided in the 1933 Act of the Legislature (which, however, was repealed in 1935, and a new statute, Chapter 393 Acts of 1935, was enacted. The measure would also require, if adopted, the imposition of a tax on any motor vehicle fuel derived from petroleum, identical with the tax now being or hereafter to be imposed on gasoline. A restriction is also added that there shall be no discrimination in the levying of taxes and fees against any vehicle, due to the type of fuel or the type of internal combustion engine used.

The measure would, if adopted, prohibit the diversion of highway funds secured from fuel taxes and licenses. It would also definitely prevent the State Legislature from adopting any other form or scheme of taxation for diesel fuel or the vehicles using this fuel, than that prescribed in the measure. Pro-

ponents of the measure believe there can be no objection to the restriction against diversion of highway funds, other than the fact that in a financial crisis, such funds would not be available for even temporary use for purposes other than highway maintenance and construction.

Opponents of the measure argue against tying the hands of all future legislatures in the matter of taxation of diesel fuel and diesel equipped vehicles (by providing for equalization of taxation between gasoline and gasoline driven vehicles and diesel fuel and diesel engine-equipped vehicles.) It is contended that at present diesel engine vehicles are, as a rule, larger and heavier than the majority of gasoline driven motor vehicles and more economical in the use of lower-grade fuel than vehicles using gasoline as a fuel.

It is also contended that, as the cost of highway maintenance and construction is largely determined by the weight of the vehicles using the pavement, with the cost increasing with the weight of the vehicle, and, as the use of diesel engine vehicles is expected to increase rapidly, the time may come when some tax-equalization measure, similar to that applied to electrically-driven vehicles, will become necessary in justice to the motor car users of the highways, who now pay and will probably continue to bear the major portion of the cost of highway construction and maintenance.

Proposition No. 11

INSTRUCTORS' TENURE. Initiative

A proposed new section of Article IX of the Constitution has been submitted to the voters by initiative petition, as a substitute for the present teachers' permanent-tenure law. Instructors are defined in the act as all persons employed in schools or colleges and holding teaching certificates, but excluding persons in a supervisory capacity, such as superintendents and their deputies. The measure divides the State into three districts and sets up a State Tenure Board composed of a member from each of the three districts, "whose election shall be non-partisan and otherwise conducted as are elections of Justices of the Supreme Court." The members shall be qualified to teach in the "elementary and secondary schools and junior colleges, or their equivalent," shall serve six-year terms at salaries of \$4000 per year. Funds would be provided for all Board expenses by a \$2.00 per year assessment on all instructors. No aid shall be accepted from the State.

Under the measure, no instructor could be dismissed except for the causes specified in the Act. Instructors must serve a probationary period of two consecutive school years (now three years) and the Tenure Board shall determine whether satisfactory service has been given. The Board is given complete jurisdiction over permanent instructors, subject to the terms and restrictions of this measure. An instructor may appeal to the Courts for redress from decisions of the Tenure Board.

This proposed amendment to the Constitution is quite long, contains

detailed and restrictive procedural matter, which will be "frozen" into the Constitution and subject only to amendment by vote of the electors of the State.

Proponents claim for the measure that it will not cost the taxpayers anything for the operation of the State Tenure Board; that selection of board members from the teaching profession has the advantage of having persons thoroughly familiar with conditions to sit in judgment; and that probationary teachers will be fairly treated and not dismissed in order to prevent them from securing permanent tenure, which is claimed to be a practice now in effect in many school districts.

Election of the State Board members in the same manner as the election of Supreme Court Justices is apt to prove illegal, it is claimed, because of a recent change in the method of selection of Supreme Court Justices. Limiting membership of the Board to the teaching profession only and, possibly, only to teachers qualified to teach in the "elementary and secondary schools and junior colleges," is considered as not for the best interests of the general public.

This measure also reverses the trend towards "home-rule" for local government, by transferring jurisdiction over teachers' tenure from local school boards to a State board. Those opposed to the measure emphasize that local school boards now are empowered to dismiss teachers during the three-year probationary period, and that such power will be taken away if this amendment is adopted. It is considered doubtful that a single board of three members would be able to perform the prescribed duties in an adequate manner for the school personnel of the entire State, especially within the limits set forth in the measure. The act provides that the hearing for each case shall be "within 30 days from the day of receipt of the charges by the Tenure Board," and the place of hearing "shall be within the city, city and county or district in which is located the school at which the accused instructor teaches."

The measure, which is opposed by a number of the teachers' organizations, is probably not in the best interests of the public and the public schools.

Proposition No. 12 COURT OF CRIMINAL APPEALS

This constitutional amendment would, if approved by the voters, create a Court of Criminal Appeals, consisting of a Chief Justice and four Associate Justices, to be elected for 12-year terms, after the first Justices are appointed by the Governor for specified terms. The new court would succeed to the jurisdiction of the Supreme Court in death penalty cases, and would have jurisdiction in all criminal appeals and habeas corpus matters now handled by the four District Courts of Appeal.

The measure would add a new branch to our State court system, and an additional element to the cost of State government, estimated by opponents to

the measure as \$100,000 per year. It has not been demonstrated as a present necessity. The Judicial Council of the State and the Governors of the State Bar Association of California have opposed the creation of this proposed Court of Criminal Appeals.

Proposition No. 13

EMINENT DOMAIN

This proposed amendment to Article I, Section 14 of the Constitution provides for an extension of the right of eminent domain to agencies or corporations operating or controlling an exposition or fair in aid of which public funds have been authorized by the constitution or laws of the State. This measure was probably submitted as companion legislation to Nos. 5 and 6 on the ballot relating to the Los Angeles exposition. The terms of the measure are somewhat ambiguous, however, and probably extend the right of eminent domain to any fair aided by public funds. The act also extends the right to "state agencies", the definition of which also seems ambiguous. The necessity for this additional general term is not clear, as other subdivisions of the State are specifically mentioned.

Proposition No. 14

CONSOLIDATED CITY AND COUNTY GOVERNMENT

This proposed amendment of Section 7 $\frac{1}{2}$ a of Article XI of the Constitution retains the language of the original section except for deletion of considerable detail and obsolete provisions, in order to make it applicable to any county in the State. It was submitted by the State Assembly and provides that any county having one or more incorporated cities within its boundaries may frame a freeholders charter for a consolidated city and county government. An election for a board of freeholders may be called by a three-fifths vote of the Board of Supervisors or by an initiative petition signed by 15 per cent of the registered voters of the county. Adoption of the charter requires a majority vote of both unincorporated territory and each incorporated city and town in the county.

The measure also provides for inclusion in the charter of those officers required for a county charter. It also provides for consolidation of school districts if desired, and that no property shall be forced to assume the payment of any indebtedness not already existing against the property prior to the adoption of the new charter. Assumption of a share of any outstanding indebtedness, other than that already existing against the property of any city, town or unincorporated territory, shall be by a majority vote of the electorate affected. The measure requires the inclusion of an entire county and all incorporated cities or towns in any consolidation.

The existing section limits consolidation to "any county organized under the general law" and having 200,000 population or over at the time the section

was adopted in 1918. The county to which this section was applicable at the time of its adoption has since become a chartered county and therefore is not organized under the general laws of the State. Hence, the old section, which was drafted principally to fit Alameda County, has become valueless. Under the new measure, the right to form a consolidated city and county government has been extended to include all counties in the State.

The provision in the proposed amendment requiring an affirmative vote on the consolidation charter by unincorporated territory and each city or town in the county, probably eliminates the effectiveness of the measure. Under existing constitutional provisions, Section 8½ of Article XI, a somewhat similar procedure is set up for the formation of a consolidated city and county by a city of 50,000 population or more, with or without the inclusion of additional territory. The "San Francisco-San Mateo Consolidation Act of 1929" was drafted under the provisions of subdivisions 6 and 7 of this section of the Constitution and was expected to form the basis for any consolidation movement in these two counties.

The changes made in the existing section by the proposed amendment can be considered as having improved city-county consolidation procedure to some extent, but the section probably would require future amendment in order to set up a practicable method.

Proposition No. 15 **RELIEF TO ASSESSMENT DISTRICTS**

This proposition, submitted by the Legislature, proposes to add a new Section, No. 13c, to Article IV of the Constitution, authorizing the State Legislature to provide by general law for the use of highway funds raised or appropriated by the United States, the State or any city, county, or city and county for refunding repayment or adjustment of special street assessment bonds which have become a lien on real property and which were issued to pay the cost of street or highway improvements that may be or may have become of more than local benefit. The proposed act also validates all prior acts of the Legislature relative to such aid.

In 1933, the Legislature adopted an act which provided for the use of the gasoline tax funds for the relief of delinquent assessment districts up to 1/5th of one per cent of the fuel tax. It further limited the use of such funds to all assessments and bonds issued prior to January 1, 1933. This Act was repealed in 1935, and a new statute (Chapter 393, Acts of 1935) was enacted, which will be validated by this amendment.

The measure will be of no benefit to San Francisco, as this city has few outstanding assessment bonds or assessment districts for any purpose. Proponents of the measure contend that it will be of benefit to large numbers of taxpayers throughout the State, who have been overburdened by assessments for projects of more than local benefit; likewise, that it will benefit

various communities in the State, by enabling tax-delinquent property to be placed back on the assessment rolls.

Proposition No. 16

WATER DISTRICTS AND WATER CONSERVATION DISTRICTS. TEMPORARY TRANSFER OF FUNDS TO PAY BONDS OF POLITICAL SUBDIVISIONS

This proposed amendment to Section 31 of Article IV of the Constitution would enlarge the power of the treasurer of any city, county, or city and county to make temporary transfers from the funds in his custody, to any county, city, district or other political subdivision whose funds are in his custody, for meeting bond interest and redemption charges of such political subdivisions. This is an addition to existing power to make such transfers for maintenance-expenditure purposes by such political subdivisions.

Although the measure does not specifically limit temporary transfer of funds for the payment of bond interest and redemption charges on general obligation bonds, it states that such temporary transfer of funds to any political subdivision "shall not exceed 85 per cent of the taxes accruing to such political subdivision; shall not be made prior to the first day of the fiscal year nor after the last Monday in April of the current fiscal year; and shall be replaced from the taxes accruing to such political subdivision before any other obligation of such political subdivision is met from taxes." This provision limits the temporary loan to 85 per cent of taxes and requires repayment from taxes before any other expenses are met. The practical effect of this limitation is to eliminate transfers for debt charges on any but tax-supported bonds.

This seems to be a proper extension of the power to make temporary transfers, adequately secured by tax payments. The right to pay debt charges from funds so transferred should enhance the credit rating of the political subdivisions, and the use of such power, may, on occasion, prevent defaults in payment of debt charges.

The measure would also extend the right to acquire and hold stock of any corporation owning waters, water-rights, canals and water-works,—which right is now vested in irrigation districts—to water districts and water conservation districts. This seems to be a proper extension of this power.

Proposition No. 17

COMPUTING TAXES ON UNSECURED PROPERTY

This measure will amend Section 9a of Article XIII of the Constitution by clarifying and adding to the definition of unsecured property for the purpose of levying taxes thereon. The measure continues the existing method of taxation of personal property not a lien on real property, at the preceding year's tax rate on real property. It adds to the classes of property to be so

taxed, the following—"assessments upon possession of, claim to, or right to the possession of land and upon taxable improvements located on land exempt from taxation, which are not a lien upon land sufficient in value to secure their payment,".

A constitutional amendment in 1924 provided for the taxation of unsecured personal property at the tax rate of the preceding year. This was necessary to eliminate the cost and friction involved in making refunds or in levying an additional tax, when the current year's tax rate, fixed subsequent to the collection of the tax, was lower or higher than the rate of the preceding year.

This amendment provides for the taxation of oil and mining rights, improvements on leased or tax-exempt land, in addition to personal property, all "unsecured", on the same basis. It will eliminate the cost and friction of refunds or additional taxes on these classes of property, now made necessary when tax rates vary annually. It is intended to simplify and harmonize existing procedure.

Proposition No. 18

OLEOMARGARINE TAX. Referendum

This act, adopted by the Legislature, is placed on the November ballot by referendum petition. It provides for an excise tax of ten cents per pound on the sale of oleomargarine containing any but certain domestic products enumerated in the bill.

Being a regulatory rather than a taxation measure, this is not analyzed nor commented on by the Bureau.

Questions addressed to the Bureau indicate that there may be some confusion as to how votes for or against the measure should be registered. To vote for the tax, vote "yes"; to vote against the tax, vote "no".

Proposition No. 19

LEGISLATIVE PRINTING

This amendment of Section 23a of Article IV of the Constitution makes a minor exception to the restriction on the maximum expenses allowed the State Legislature at regular and special sessions, by providing for printing and other incidental expenses for compilation, indexing and publication of bills introduced in each house of the Legislature for public distribution. The maximum sum allowed each house for that purpose during any one session is \$5,000.

It is the belief of the measure's sponsors that it will solve some of the difficulties experienced by the public throughout each session in securing information on the current status of bills introduced in the Legislature; that lack of funds has caused much of the difficulty in the past; and that the small additional appropriation provided by this measure will result in great public benefit, by the public information that it will produce.

Proposition No. 20

PUBLICLY OWNED MUSEUMS OR ART GALLERIES

Approval of this measure by the voters will add a new Section to Article IX of the Constitution, granting authority to the State Legislature, board of supervisors, city councils and other governing bodies of any political subdivision of the State to lease or turn over, under contract, to private non-profit corporations the operation and management of art galleries and museums under the legislative body's control.

The measure has evoked some criticism, as it contains no restrictions concerning the methods of operation, rights of the public, use of the art galleries or museums and similar matters, leaving the entire matter in the hands of the legislative body concerned.

On the other hand, it is contended that this legislation, which is permissive only, will enable California communities to follow lines of developing art and cultural centers that have proven successful in New York, Chicago and other cities.

Proposition No. 21

PENAL INSTITUTIONS FOR AND PUNISHMENT OF FEMALE FELONS

This measure would add a new Section to Article X of the Constitution, authorizing the Legislature to provide for the establishment and control of an institution for females convicted of felonies. It also grants the Legislature authority to delegate control of such an institution to any governmental agency now existing or to be created by the Legislature. The measure also permits the Legislature to provide different supervision and care for females convicted of felonies than that provided for male felons.

A separate institution for the confinement of women prisoners was established at Tehachapi by an act of 1929, and is under the management of the State Board of Prison Directors. Proponents of this measure contend that the work of rehabilitating women prisoners can be carried out more effectively if all are segregated at the women's prison, under different standards of supervision and care, and with the prison under the management of a separate board—all as authorized or permitted by this amendment.

In opposition, it is contended that there is no necessity for creating still another state board, and that the most effective administration of the State's penal institutions requires that these be controlled by a single board, as at present.

Proposition No. 22

RETAIL STORE LICENSE. Referendum

The 1935 Legislature enacted this measure, which is on the November ballot due to a referendum petition. It provides for the licensing of retail "chain" stores on a graduated scale, ranging from \$1.00 for a single store

to \$500.00 for each store over nine under one ownership. Automobile service stations, cooperative or voluntary "chains," motion picture theaters, beauty parlors and certain other retail "chain" services are excluded from the act.

Although a certain amount of revenue would be derived, this is essentially a regulatory and not a taxation measure, and therefore is not analyzed nor commented on by the Bureau.

Questions addressed to the Bureau indicate that there may be some confusion as to how votes for or against the measure should be registered. To vote *for* the tax, vote "yes"; to vote *against* the tax, vote "no".

Proposition No. 23

PUBLIC SERVICE COMMISSION

This measure proposes certain amendments to Section 22 of Article XII of the Constitution, relating to the creation, powers and duties of the State Railroad Commission, principally for the purpose of changing the name of the Railroad Commission to Public Service Commission.

The measure, however, has been found to contain a serious error or omission—failure to specify the terms of office of the Commissioners after the expiration of the terms of office of present incumbents—which disqualifies it from further consideration, and which caused its sponsors to urge that it be defeated.

Proposition No. 24

CHARTERS OF CITIES AND CITIES AND COUNTIES

This measure amends Section 8 of Article XI of the Constitution, which now authorizes cities or cities and counties of more than 3,500 population to frame a charter by the election of a board of freeholders for that purpose. The amendment provides that at the election of freeholders, the voter shall first vote on the question, "Shall a Board of Freeholders be elected to frame a proposed new charter?", and secondly, for the candidates for the office of freeholder. The amendment provides that an affirmative vote on the first proposition is necessary before the Board of Freeholders is deemed to have been elected. The measure also provides, as an alternative to framing charters by boards of freeholders, that the legislative body of any city or city and county on its own motion may draft, frame or have drafted a charter and submit it to the electors at either a general or special election.

The claim is made by proponents of the measure that requiring the voters to decide at the election of freeholders whether they want a new charter or not saves the necessity of expense for a charter election, official advertising, etc. It is also stated that the measure will stop, at their inception, movements on the part of minority groups to force new-charter consideration on a community, where such is neither desired nor necessary. The proponents claim that permission to frame a new charter, granted to legislative bodies by the amendment, is extending their existing power in name only, as they now have the

right to submit amendments and could completely revise any charter by this process. It is claimed that under this procedure it would be more simple, less costly and generally would result in improvements in city charters as legislative bodies are usually well-informed as to the needs of a municipality.

On the other hand it is contended that requiring the electors to vote on this question of a new charter might result, more often than not, in the political stifling of a sincere movement for better government—especially at special elections where the voting is always relatively light. The issue might not be clearly drawn, nor the public fully informed in the short time available. The expense of another special election to vote on the proposed charter is probably less important than the possibility of making it easier to forestall movements for better government.

It is also contended that the provision that a legislative body, on its own motion, may frame or cause to be framed a proposed charter, could be used to propose such a charter, at the same time and as an alternative to a freeholders' charter, solely for the purpose of helping to defeat a freeholders' charter that might not suit a strong politically-minded group.

Proposition No. 1 (San Francisco)

SELECTION OF SAN FRANCISCO SUPERIOR COURT JUDGES

This proposition is the only local issue that San Francisco voters will be required to decide at the November 3rd election. It was placed on the ballot by the San Francisco Board of Supervisors, and, if approved by the voters, would put into effect a constitutional provision providing for a change from the elective to an appointive system for selection of Superior Court Judges. The constitutional provision, Section 26 of Article VI, was approved by the voters of the State in November, 1934, and provided for the present system of appointment of judges of the Supreme Court and the District Courts of Appeal. It also provides for similar appointment for the Superior Court judges in any county, if the voters of a county so signify by an affirmative vote.

The Constitution provides that candidates for election or re-election shall have their names inserted on the ballot unopposed by other candidates. An incumbent judge may file with the registrar a declaration of candidacy for election to succeed himself. If the incumbent fails to file during the period fixed therefor, the Governor must nominate a suitable candidate. Any such nominee of the Governor must secure the approval of a majority of a commission on qualifications consisting of the Chief Justice of the Supreme Court, the senior presiding Justice of the District Court of Appeal of the district in which the county is located, and the Attorney General. Vacancies occurring before the expiration of the term of office are filled by appointees of the Governor, subject to the approval of the commission on qualifications and must go before the voters for their approval at the next general election.

The voters determine by a "yes" or "no" vote the question, "Shall (name

of candidate) be elected to the office (Judge of the Superior Court) for the term expiring January (year)?" The term of office remains six years. Thus, the voters have the power to veto the Governor's nominee or the return to office of an incumbent.

Judges will continue to be subject to recall procedure, the same as other elective officials. They will also be subject to removal by the Legislature, under impeachment proceedings or by concurrent resolution of both houses, as provided by the Constitution in Sections 17 and 18 of Article IV and Section 10 of Article VI.

Opponents of the proposal state that if the measure is approved by the voters, the voters will have no means of later changing the method of selecting San Francisco Superior Court judges; that the only way a revision can be secured is by a state-wide vote or a constitutional amendment repealing or modifying existing constitutional provisions.

Opponents also contend that the proposed plan is undemocratic and that judges will not be responsive to the pleas of the average citizen, once given freedom from the necessity of going to the public periodically for re-election. It is stated also that in the final analysis, the successive governors of the State will have the power to select the judges for San Francisco. This is held to be contrary to the principle of "home-rule". Opponents likewise state there is no necessity for the proposal to make Superior Court judges appointive, as the best judges now have practically no opposition.

On the other hand, proponents of the measure contend that it is a necessary step toward taking the local judiciary out of politics. They claim that under the proposed plan, the public reviews and passes on the work and achievements of the incumbent judge by an affirmative or negative vote, and his continuance in office depends on successful administration during his incumbency and not the relative vote-getting powers of two or more candidates. Selection of a candidate by the Governor to fill a vacancy acceptable to the board of review must come before the people at the next general election for their approval or disapproval, thus maintaining the democratic principle.

Another argument made by the proponents of the measure is that the existing elective system for judges means heavy cost in time and funds to make a successful campaign against opposition every few years; is either a drain on the financial resources of the candidates or requires assistance from outside sources, with the possibility of obligation to such sources; and that these conditions are inimical to the welfare of the general public.

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The City

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No. 1

Charter Amendments and Propositions On the March 9th Ballot

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CHARTER AMENDMENTS AND PROPOSITIONS ON THE MARCH 9TH BALLOT

Charter Amendments

1. Revenue Bonds—Electrical System (\$50,000,000).
2. Tax Anticipation Notes.
3. Health Service System.
4. Public Welfare Department.
5. Positions (To Bring "Institutional Help" Under Civil Service).
6. Control of Harbor.
7. Police Pensions.
8. Positions in the Treasurer's Office.
9. Contractors' Working Conditions.
10. Permits and Inspections.
11. Utility Funds and Depreciation.
12. Police Department.
13. Power of Hearing, Inquiry and Subpoena.
14. Limitation on Special Assessments.
15. Zoning and Set-Back Lines.
16. Number, Compensation and Meetings of Supervisors.
17. Franchises.
18. Appropriations to Meet Utility Deficits.

Propositions

19. Repeal of Anti-Picketing Ordinance.
20. Prohibiting Billboards Near Approach to San Francisco Bay Bridge.

Charter Amendment No. 1**REVENUE BONDS—ELECTRICAL SYSTEM (\$50,000,000)****Summary:**

1. Charter Amendment No. 1 would make it easier for the City to go into debt up to a maximum of \$50,000,000 for the acquisition of the local electric distributing system, or for the construction of a partial duplicating and competitive system.

2. The amendment is based on the erroneous assumption that the United States Secretary of the Interior has authority to force the City into the power distribution business. The Secretary's authority in the matter, where he believes that the 1925 agency contract—under which the City has received over \$25,000,000 in revenue—is a violation of the Raker Act, is limited to referring the matter to the Attorney General, who would then take the matter into the Federal courts. If this course were followed, it is probable that the legality of the agency contract would be upheld. The Secretary of the Interior has not referred the matter to the Attorney General and the Supervisors are proceeding solely on the dictum of the Secretary of the Interior.

3. The amendment authorizes an expenditure up to \$50,000,000 for a specific plan designated as Plan 7, or for any deviation therefrom or for the construction of a duplicating competitive system.

4. The amendment provides that the \$50,000,000 revenue bond issue shall be repayable, as to principal and interest, from the revenues of the utility. However, there is no prohibition against the appropriation of tax funds to meet operating deficits that may occur, and other specific provisions of the charter authorize tax appropriations to meet utility deficits.

5. Plan 7, the most costly of seven plans prepared to meet the wishes of the Secretary of the Interior, contemplates purchase of the entire local distribution system. However, the City's Hetch Hetchy power system, which is all that the Secretary can be concerned with, is sufficient to meet only 38% of the peak power demand of San Francisco.

6. Under Plan 7 the estimated cost of the local distribution system, \$39,700,000, is only the City's estimate. It excludes important units now operated by the Company. It excludes also severance damages allowed by the Railroad Commission in 1930 as part of a purchase proposal which was rejected by the voters in that year. The actual price to be fixed is a matter of negotiation between the City and the Company or is to be fixed as the result of condemnation proceedings. It may vary by many millions of dollars from the \$39,700,000 estimate.

7. Under Plan 7 the officially-estimated revenue for 1938 is \$1,344,000 higher than this Bureau's estimate of such revenues.

8. Under Plan 7 the officially-estimated expenses and other charges for 1938 are \$2,879,000 less than this Bureau's estimates of such expenses and charges.

9. The officially-estimated surplus of \$3,612,000 for 1938 as shown by Plan 7 would, if the Bureau estimates are correct, be converted to a loss or deficit of \$611,000, or would require an equivalent increase in rates. This represents a difference of \$4,223,000 between official figures and Bureau estimates.

10. Funds for additions and betterments requiring from one to two million dollars annually and which are now provided by the Company, would probably require a succession of future bond issues, as Bureau estimates indicate that surpluses would not be available to meet such costs.

11. On the basis of Bureau estimates, the net effect of the application of Plan 7 on the City's light and power rate-payers would be, not a reduction in rates as the plan proposes, but a probable increase in rates; in addition, San Francisco taxpayers would lose power revenues and tax payments ranging from \$1,554,000 to \$2,729,000, which would have to be made up by increased taxation.

12. The amendment authorizes the Public Utilities Commission "to deviate from said plan (Plan 7) to such extent as it shall deem proper in order to carry out the purposes of said plan." Estimates of cost, revenues and expenditures under any such deviation from Plan 7 are not available. Nor have estimates been compiled or considered based on cost and operating results of a duplicating and competitive system if the City decides to construct such a system.

13. The amendment is based on a projected plan which may never be carried out and on estimates of cost to the City which may not be realized.

Introduction:

This proposed amendment would authorize the issuance of revenue bonds up to a maximum of \$50,000,000 for the purpose of acquiring a local electric distributing system. It would make it easier for the City to go into debt by the device of this charter amendment, requiring only a majority vote of the people, as contrasted with the usual bond issue proceedings which require a two-thirds vote for approval.

In 1925 and again in 1935 the City Attorney, in briefs filed with the Secretary of the Interior, upheld the legality of the 1925 agency agreement under which the City has disposed of its Hetch Hetchy power for nearly twelve years. Various attorneys consulted by this Bureau during the period that the agreement has been in effect have all held that the agreement is legal. Claims made by those opposing the agency agreement, and favoring Amendment No. 1—to the effect that continuation of the agency agreement may lead to Federal action resulting in forfeiture of the City's Hetch Hetchy grant—are declared to be absurd.

This amendment, and the so-called "Plan 7" to which it refers, for the City's acquisition and operation of the local power distribution facilities, are based on a false assumption. The Secretary of the Interior in 1935 gave as his opinion that the agency contract method under which the City had disposed of Hetch Hetchy power since 1925, at an annual gross revenue approximating \$2,100,000, was in violation of the Raker Act, which authorized the use of national park lands for the City's Hetch Hetchy project. The false assumption is that the Secretary of the Interior has power to declare this contract illegal, or to force the termination of the contract, and directly or indirectly force the City into the business of distributing electric energy. The Supreme Court of California, in the case of Uhl vs. Badaracco, involving the use of Hetch Hetchy power revenues, held that "Congress has no power to create or force a public utility on the City." From this it would follow that the Secretary of the Interior would also lack "power to create or force a public utility on the City."

The Raker Act provides that if the Secretary of the Interior believes the City, as the grantee under the Act, is not reasonably complying with the provisions thereof, he shall call the matter to the attention of the Attorney General of the United States, who shall commence such proceedings as are necessary in the proper Federal court. The Secretary has not done this. Should he take such action, and thus the matter get into the Federal courts, it is believed that the legality of the agency contract would be upheld.

The amendment, and Plan 7, go far beyond anything that may be sought by the Secretary. The Hetch Hetchy power plants would supply only 38% of the City's peak power demand. To use this power under conditions suggested by the Secretary, it is proposed to acquire the entire local distributing system, and supplement the 38% of Hetch Hetchy plant capacity with 62% to be supplied by the Company.

The Amendment:

The amendment authorizes the Public Utilities Commission to borrow not to exceed \$50,000,000 for the purpose of acquiring by purchase, *construction* or other lawful means, a system for the generation and distribution of Hetch Hetchy power or other power necessary or convenient for its purposes. It provides that the system to be acquired shall, insofar as practical, be the system outlined by the Public Utilities Commission and known as Plan 7. However, the Utilities Commission is given specific power to deviate from this plan to such extent as it shall deem proper.

The amendment provides that all moneys so borrowed, as well as the interest thereon, shall be payable solely and only out of the revenue to be derived from the operation of the system. However, it does not specifically prohibit the use of tax funds to make up any deficits that may accrue (and by the specific provisions of Section 74 of the charter, appropriations of tax funds

to meet utility deficits may be made by a two-thirds vote of the members of the Board of Supervisors).

The amendment provides that payment of the principal of the revenue bonds shall commence not later than five years from date of issuance. The amendment specifies that the redemption of bonds shall be completed in not more than 40 years from date of issuance, subject however to the right of the Commission to provide for the refunding, extension or renewal of any part of the bonded indebtedness by new bonds with a maximum life of 40 years from the date of such new issuance. The amendment does not specify any schedule for the retirement of the bonds, but provides that the Public Utilities Commission shall have power to determine how and in what periodical amounts such bond retirement shall be made. These provisions differ from Plan 7, which provides for the redemption of bonds to begin in the first year of operation and for the redemption of the proposed bond issue in a 25-year period.

The amendment specifically authorizes the Public Utilities Commission to determine the method of acquiring the electric distributing system and if the Commission should determine that it should construct a duplicating and competitive system instead of acquiring the existing one, it is given power to proceed with such construction, in each case subject only to approval by resolution of the Board of Supervisors.

The amendment requires the Utilities Commission to fix rates sufficient to cover bond interest and redemption (as a first charge on said revenues), operating expenses, repairs and maintenance, surplus and the cost of reconstruction and replacements. It provides that the Supervisors shall never approve rates to be charged which shall not be sufficient to pay the above-mentioned charges.

Plan 7:

As outlined above, the amendment is stated as providing a means for carrying into effect the so-called Plan 7 as submitted by the Public Utilities Commission. Comment has been made in the foregoing as to how widely Plan 7 may be departed from under the broad provisions of the amendment, even to the extent of constructing a competing and duplicating system. For a proper understanding of the possible results under the amendment a brief discussion of Plan 7 will be necessary.

The plan provides for the purchase of the entire San Francisco distribution system of the Pacific Gas & Electric Company; for the use of Hetch Hetchy power to the fullest capacity of the present Moccasin Creek and Early Intake plants, to be augmented by a new Red Mountain Bar Power House which would be constructed from proceeds of the proposed revenue bond issue. The City's power plants will not fully meet the demands of the entire system (only about 38% of peak requirements); therefore it is proposed to

buy additional power (a maximum of 132,000 kilowatts, or 62%) and stand-by service from the Pacific Gas & Electric Company. It is likewise proposed to lease transmission and stepdown service from the Company.

The estimated total capital investment is \$43,700,000, of which \$39,700,000 is the City's estimate of the cost of purchasing the San Francisco distribution system of the Company.

On the basis of an estimated rate reduction of 10%, to an average rate per kilowatt hour of 2.26 cents, revenue for 1938 sales under Plan 7 is estimated at \$15,504,000. Operating expenses, including the purchase of power but exclusive of interest, are estimated at \$7,959,000, and income available for bond interest, redemption and surplus is estimated at \$7,545,000. After the payment for the initial year (1938) of \$2,185,000 representing a 5% interest on revenue bonds, it is estimated there would be a surplus of \$5,360,000. Annual bond redemption, on the 25-year basis on which the estimates of Plan 7 are calculated, would be \$1,748,000, leaving an estimated surplus for the initial year of \$3,612,000.

The foregoing figures are the estimates of the Public Utilities Commission's engineers.

Analysis of these figures as compiled by the San Francisco Bureau of Governmental Research indicates that the expectations of Plan 7 may not be realized. A purchase price of \$39,700,000 for the Company's local distributing system may be millions short of any figures to be developed by either negotiation or condemnation. This possibility seems to have been recognized by the City as the amendment authorizes a bond issue of \$50,000,000, although the total estimated capital expenditure under Plan 7 would be \$6,300,000 less than this figure.

The proposed purchase price of \$39,700,000 can be compared with \$63,545,000, the total valuation of the Company's property used in connection with the 1930 electric distribution system purchase bond proposals. This price was based on a Railroad Commission valuation, brought up to June 30, 1931 by the City Engineer from official records. It was considered by the Company at that time as too low. Plan 7 proposes to exclude property and severance damages valued at \$21,850,000 in 1931. The Company has not been consulted, nor has it acted upon the City's estimated price, which would have to be determined ultimately by negotiation or condemnation. Failure of the City to secure a substantial reduction in the \$63,545,000 valuation would, of course, increase the initial cost to an amount in excess of the proposed bond issue and would materially increase debt charges and other expenses to be deducted from revenue estimates set up in Plan 7.

Included herein is a table showing the official estimates of operating results under Plan 7 for 1938, and, in comparison therewith, estimates by the Bureau dealing with the same factors, and also with other factors that have bearing on the question as to whether the City will profit or lose, if Amendment No. 1 is adopted and if Plan 7 can be consummated.

**Estimated Financial Results of Proposed Plan No. 7
For Retail Distribution of Hetch Hetchy Power, Showing the
Official Estimate and Estimates Prepared by the Bureau**

	Initial Year Plan No. 7 Estimates from Official Report	Bureau Estimates of Initial Year
Estimated Revenue.....	\$15,504,000	\$14,160,000
<i>Annual Operating Expense:</i>		
<i>Production:</i>		
Purchased Power.....	3,134,000	2,548,000
Hetch Hetchy Plants.....	420,000	420,000
Red Mountain Bar Plant.....	15,000	15,000
Transmission and Stepdown Station Lease.....	200,000	200,000
Standby Charge (Based on \$1 per k. w. per mo.)		1,008,000
Distribution and Utilization.....	1,482,000	1,482,000
Commercial	576,000	576,000
New Business	213,000	213,000
General and Miscellaneous.....	659,000	659,000
Depreciation	1,260,000	1,975,000
Total Operating Expense.....	\$ 7,959,000	\$ 9,096,000
<i>Bond Interest and Redemption:</i>		
Interest at 5%.....	2,185,000	2,500,000
Redemption at 1/25 per Year.....	1,748,000	2,000,000
Total.....	\$ 3,933,000	\$ 4,500,000
<i>Raker Act Charges:</i>		
Cost of Power Development and "Fair Proportion" of Hetch Hetchy Water Project (Raker Act, Section 9-m) \$26,108,396 @ 4.5%.....		1,175,000**
Total Estimated Expenditures.....	11,892,000	14,771,000
Estimated Surplus or Deficit, after redemption	3,612,000	(—611,000)
<i>Other Items:</i>		
Public Utilities Commission Estimated 10% Saving to Rate Payers.....	1,721,000	1,573,000
Decrease by Reduction in Effect 2/1/37.....		(—1,213,000)
		\$ 360,000
Estimated Effect, incl. Rate Reduction.....		(—251,000)
Losses to Taxpayers**		
Loss of Taxes by City Acquisition of Company Property	(—654,000)	(—654,000)
Loss of Revenue on Termination of 1925 Agency Contract (\$2,075,000 less \$1,175,000 shown as "Raker Act Charges").....		(—900,000)**
Total Losses to Taxpayers.....		\$(—1,554,000)**
Total Gain or Loss.....		\$(—1,805,000) Loss

**In the above table, the revenue, \$2,075,000, received by the City under the agency contract—which will automatically terminate if Plan 7 can be and is carried into effect—is shown in two parts: \$1,175,000 assumed to be included in power rates, to cover Raker Act charges, and which it is assumed will be refunded to the City for the benefit of the taxpayers; and the remainder, \$900,000, shown as an outright loss to taxpayers. If the first-named sum, \$1,175,000, is used for the purposes of the system and not applied to benefit the taxpayers, their loss will be \$2,729,000—loss of revenue under agency contract \$2,075,000, and loss of taxes, \$654,000.

On the basis of growth in power sales during the last ten years, applying the increase indicated thereby (5 per cent) to forecast 1938 sales, and using Plan 7 estimated average rate of 2.26 cents per kilowatt hour, the Bureau estimates revenues of only \$14,160,000, or \$1,344,000 less than the estimate of revenue used in Plan 7.

Also, Bureau estimates indicate costs of operation and other expenses to be carried out of rates, will be higher than the estimates for these items in Plan 7.

Plan 7 does not contemplate the acquisition of an existing steam standby plant, nor does it include any item of expense for standby service which is expected to be rendered by the Company; it assumes that such service will be rendered by the Company as an incident of the City's purchase of power from the Company. However, the Chief Engineer of the State Railroad Commission advised the Board of Supervisors that under existing schedules the cost of such standby service would approximate \$1.00 per kilowatt per month and that any reduction in such rate would be a matter for negotiation between the City and the Company. At this rate, standby facilities and service, available at any time to take over and substitute for the City's plants of 84,000 kilowatt capacity would cost \$1,008,000 per year. Bond interest and redemption charges and operating costs for a city-owned standby plant would approximate the same amount.

Depreciation is shown in Plan 7 as amounting to \$1,260,000. This is estimated by the Bureau as requiring appropriations from revenues of \$1,975,000, or \$715,000 over the Plan 7 figures. The Bureau's estimate is based on the average of five systems—Seattle Municipal, Los Angeles Municipal, Southern California Edison, Pacific Gas & Electric and San Diego Consolidated Gas and Electric. If the required amounts are not set up as reserves, annually out of revenues, the financial picture of the utility will look brighter during the initial year or years, but costs to meet depreciation replacements in future years may be too great to be borne out of utility revenues. In such case, they must come from taxes (see Charter Amendment No. 18) or future bond issues.

The Plan 7 estimates do not include a charge specifically required by Section 9-m of the Raker Act. This section requires that rates to be charged by the City for its sales of power shall not be less than "the actual total costs of providing and supplying said power . . . including a fair proportion of costs of conduits, lands, dams and water-supply systems." On the basis of the amount of such charges allocated to the power portion of the Hetch Hetchy project as shown in the Controller's annual report for the year 1935-36, \$26,108,000, and allocating as "fair proportion charges" a 4½% interest rate on this amount, an additional sum of \$1,175,000 to cover such fair proportion charges would have to be provided out of power rate revenues. This if paid into the general fund or used for Hetch Hetchy debt charges would be a partial offset, for the benefit of the taxpayers, to the \$2,075,000 average annual

revenue from power that the taxpayers will have to make up, when the 1925 agency contract is terminated.

Also if the cost of the project amounts to \$50,000,000 as authorized by the amendment instead of \$43,700,000 as shown in Plan 7 additional interest and redemption charges amounting to \$567,000 will have to be provided out of rates.

These estimates of decreased revenues and increased costs have the effect of changing the surplus as estimated under Plan 7 for the initial year, \$3,612,000, to a deficit of \$611,000—a spread or difference of \$4,223,000.

In this connection it should be considered that extensions and other additions and betterments to the local distribution system, which in pre-depression years averaged \$4,000,000 annually and now amount to between one and two million dollars per year, have been provided by the Company. If the estimates as compiled by the Bureau of Governmental Research prove to more closely approximate actual experience than the official estimates used in Plan 7, surpluses will not be available for the cost of additions and extensions. This will mean an increase over existing rates to provide funds for such additions or betterments or a succession of bond issues to provide funds for this purpose.

Plan 7 revenue estimates are based on an estimated 10% reduction under 1936 rates which the Utilities Commission estimates would save the rate-payers \$1,721,000 a year (\$1,573,000 as estimated by the Bureau on the basis of a lower estimate for 1938 sales). This, however, is largely wiped out by the recent reduction in the Company's rate schedule which, as estimated by the Railroad Commission, will save San Francisco power and light customers \$1,213,000 per year.

Additional effect on the taxpayers beyond the detailed changes in cost and revenue estimates under Plan 7 that have been discussed above are of interest. Plan 7 points out that acquisition by the City of the Company's distributing system would result in the removal of this property from the assessment roll, with a consequent loss to the City of taxes amounting to \$654,000 annually. This loss would have to be made up by the taxpayers, and would require an increased tax rate of about 8 cents each year.

Plan 7 does not refer to another important loss that would fall on the taxpayers if Plan 7 can be made effective. City operation under Plan 7 would, of course, terminate the 1925 agency contract between the City and the Company for the disposal of the City's Hetch Hetchy Power. The revenue received by the City under this contract since 1925 is in excess of \$25,000,000, an average net per year of \$1,850,000. In 1933 the Manager of Utilities estimated that this average return would be increased by \$225,000 per year, by raising the height of O'Shaughnessy Dam, which work is under way and will be completed this year. These funds have been applied to meet the cost of Hetch Hetchy debt charges. The loss of this revenue will have to

be made up by the taxpayers—equivalent to 26 cents in the tax rate. There is a possible partial offset of \$1,175,000 representing Raker Act "fair proportion" charges, which if included in power rates, as discussed in the foregoing, may be applied to reduce taxpayers' costs.

To sum up, the Bureau's analysis of operating results under Plan 7 and the losses to taxpayers if Plan 7 can be carried into effect, indicates a loss or additional cost of \$1,805,000 for 1938. Disposition of power from the Red Mountain Bar plant, proposed to be constructed under Plan 7, may be considered as an additional factor of loss to taxpayers, for this power would if developed and disposed of under existing conditions of the agency contract, produce a net revenue of approximately \$400,000 for tax reduction purposes.

Conclusion:

Official estimates, no matter how honestly made, have proved to be over-optimistic in many cases relative to San Francisco's municipal projects. These include the original estimate for the construction and completion of the Hetch Hetchy project; future annual revenues of the Market Street Railway Company, Spring Valley Water Company, and the combined Pacific Gas and Electric and Great Western Power Companies, which estimates were made in each case in consideration of the purchase of these properties.

The estimates compiled by the Bureau of Governmental Research, which are believed to be conservative, indicate the improbability of rate reductions, the strong probability of rate increases or future successive bond issues, and a heavy loss to the taxpayers.

Revenue bond legislation in one form or another has been submitted to the people on three prior occasions and in each case has been voted down. The revenue bond legislation proposed in Charter Amendment No. 1, although assertedly based on a definite and specific plan, Plan 7, may as a matter of fact be used for any deviation from or variation of this plan, without any further vote of the people. It is frankly intended to make it easier for the City to go into debt by requiring only a majority vote of the people on this charter amendment instead of the customary two-thirds vote on a general-obligation bond issue.

Charter Amendment No. 2 TAX ANTICIPATION NOTES

This is an amendment to Section 81 of the charter which deals with "Cash Reserve Fund and Temporary Loans. Tax Anticipation Notes." It is intended to restore the City's tax-anticipation borrowing power, to the extent that such power has been authorized and exercised since 1933. A Supreme Court decision last year in a case involving the borrowing power of a Berkeley school district, based on language similar to the language in the San Francisco charter, is considered as restricting the borrowing power that San Francisco has exercised for years.

The provisions under which the City has been operating since 1933 have authorized borrowings up to twenty-five per cent of the estimated tax receipts for each current fiscal year. This has permitted borrowings of approximately \$7,000,000 in each half of the fiscal year, and has required prompt repayment of such borrowings, as tax payments are received. The charter provides that borrowings for the first half of the fiscal year be repaid not later than December of such year, and that borrowings for the second half of the fiscal year be repaid not later than May in such fiscal year.

The effect of the court decision has been to restrict borrowings for the second half of each fiscal year to twenty-five per cent of the taxes to be paid in such second half of the fiscal year. This would so restrict the City's borrowing power that the payment of bills and payrolls would have to be held up for a short period, March and April, of each fiscal year.

According to the City Attorney and other attorneys consulted by him, the amendment providing for tax anticipation borrowing up to twenty-five per cent "of the estimated aggregate amount of all taxes actually levied for such fiscal year" will overcome the objection raised by the court decision in the Berkeley case and will restore to the City the borrowing power that it has had and has exercised during the last four years.

Unless this amendment is approved by the voters, the prompt and orderly payment of bills and obligations will be suspended during part of the year, with the consequent hurt to the City's credit.

Charter Amendment No. 3

HEALTH SERVICE SYSTEM

This amendment adds a new section to the charter, Section 172.1. It has been proposed by the Federation of Municipal Employees to provide machinery under which the Federation could establish a health service system covering all municipal employees.

The amendment would provide: For compulsory membership in such health service system; for a system to be established and operated by a board of nine members elected by the members of the system; for monthly deductions by the Controller of the fees to be paid by each member for maintenance of the system; and that all expenses of the system be borne exclusively by the funds of the system so collected, with the City prohibited from appropriating or contributing funds in any manner for the purposes of the system. The sponsors of the amendment are committed to the language and the understanding that no city funds can be used in any manner for any of the expenses of the system. They believe that the measure will save money for the City, by reducing the present cost of sick-leave with pay.

Earlier differences between representatives of the Federation on the one hand, and representatives of doctors, dentists, nurses and hospital institutions

on the other hand, were stated as having been met by changes in the provisions of the amendment, as now submitted to the voters.

This being a regulatory rather than a governmental measure, it is not analyzed nor commented on by the Bureau.

Charter Amendment No. 4 **PUBLIC WELFARE DEPARTMENT**

This amendment would establish a new section in the charter, Section 61.1, to provide for a Public Welfare Department. The department would be under the management and control of a board of five non-salaried members to be appointed by the Mayor and its functioning would be under the executive control of a director of public welfare to be appointed by the commission.

The functions and personnel of the County Welfare Bureau—now administering pensions for the aged, blind and widows—would be transferred to the newly-created department. The functions of the Citizens Emergency Relief Committee would likewise be transferred to the Public Welfare Department. The personnel employed by such Committee, having been exempt from civil service on an emergency basis, is not transferred to the new department. Provision is made, however, that in any case where there is no civil service list from which any position existing under the Emergency Relief Committee can be filled, examinations shall be held by the Civil Service Commission within six months to establish a list of eligibles for such position and persons who have been employed by the Emergency Relief Committee for a period of one year shall, upon obtaining a passing mark in any such examination, be allowed an additional five per cent credit in making up the list of eligibles.

The amendment is sponsored by the San Francisco Center, National League of Women Voters, and is stated to be the result of lengthy study by this organization and by a committee of the Community Chest.

The amendment would create a new department, with attendant additional overhead expense. Increased expense would also be involved in bringing salaries of Emergency Relief Committee employees, which have been largely on a work-relief basis, up to city standards. This is expected to produce higher standards of service with an ultimate decreased cost for relief.

It is stated that the amendment, if adopted, will bring about the elimination of many duplications in record-keeping and in social service activities, that are now handled separately by the County Welfare Bureau and by the Citizens Emergency Relief Committee. It is also stated that after the new Department is well-established, additional social service activities now conducted by the city and county, through the Health Department and the Juvenile Court, might well be consolidated in the new department for the further elimination of duplication in activities.

The amendment is the result of a conviction that has grown during the last several years, that there must be a permanent county organization, particularly in each of the larger counties, to handle relief and relief work-projects. Proposals are before the Legislature looking toward the elimination of State administration of relief and limiting the State's participation to financial assistance to the counties for local relief needs. This proposed amendment was based on the probability of such a course, by the State and ultimately by the Federal Government.

Charter Amendment No. 5

POSITIONS

(To bring "Institutional Help" under Civil Service)

This is an amendment to Section 142 of the charter which specifies which positions in the city and county service shall be included in, or exempt from, the City's civil service procedure.

The purpose of the amendment is to bring under civil service about 550 positions in the City's institutions, now classified as "institutional help," and which are now exempt from civil service by virtue of the fact that employees in such positions receive compensations and allowances of less than \$80 per month.

An amendment designed to bring such positions under civil service and to blanket the incumbents therein into their positions as if appointed thereto from civil service lists was voted down in 1935.

This proposed amendment, while bringing the positions under civil service, would not blanket present incumbents into their positions. Such incumbents would have to take regular civil service examinations for their positions, after these have been classified by the Civil Service Commission.

The amendment, as originally proposed by the employees affected, would have established \$100 as the amount of compensation and allowances for positions which would be exempt from civil service. This was opposed by the Civil Service Commission, the Director of Public Health, and the Mayor's Committee on Charter Revision, resulting in revision of the amendment to its present form.

The amendment was opposed by the Director of Public Health when under consideration by the Board of Supervisors, on the basis that it would establish a basis for increased compensation for this group. Under the present provisions of the charter, there is no bar to increased compensations, if recommended by the Director of Health. The amendment itself would establish no basis for increased compensation.

It is probable, however, that the appointment of "institutional workers" on the basis of competitive examination; the elimination of "spoils system" appointments, if any, now or in the future; and the provision for adequate

supervision and control of these workers, will result in a more stable and efficient personnel, and possibly a lower cost to the City for such work.

Charter Amendment No. 6

CONTROL OF HARBOR

This would amend Sections 47 and 48 of the charter, which provide in general terms for harbor management by the City in case the harbor shall be turned over to the City by the State; the amendment would also add a new section, Section 48.1—all for the purpose of setting up a specific type of organization, management and procedure, in lieu of the existing general provisions.

The amendment is essentially an enabling act. It would not be a commitment on the main question of acquisition of the harbor by the City, although its adoption by the voters might be construed as indicating approval by the people of such local control. If adopted by the people it can be used before the Legislature to show the type of management and control that would exist if the Legislature should vest control of the Harbor in the City and County.

Information on and answers to many questions relative to harbor management and finances, when, as and if these should come under city control, are not now available. These will be known, however, by the time the people are asked to vote, under the provisions of this amendment and the bond-issue provisions of the charter, on the specific question of assuming responsibility for a bonded indebtedness to retire or to offset the standing State bonds for San Francisco harbor purposes.

Section 47 as amended provides that whenever the State shall grant control and management of the harbor to the City, the City may accept the same, and subject to the bond issue procedure provided in the charter, may vote on the question of assuming or retiring the outstanding bonded indebtedness of the State for harbor purposes. A two-thirds affirmative vote would be required. Such bonded indebtedness if assumed by the City, would be exclusive of the bonded debt limit provided by the charter. Management and control of the harbor by the City would be vested in a harbor commission of five members to be appointed by the Mayor, one of whom shall be a representative of the agricultural interests of the State, and need not be a local resident. The commissioners would hold office for five years and the compensation of each shall be \$1,200 per year.

Section 48 as amended enumerates the powers and duties of the harbor commission. These include the right to fix, regulate and collect tolls and charges; include, also, the specification that such charges be sufficient to produce revenue adequate to pay all expenses incident to the operation and maintenance of the harbor, together with bond interest and redemption payments;

and provide that if any such schedule of tolls or charges be insufficient to cover all such expenses, it shall require approval of the Board of Supervisors by a two-thirds vote.

The Commission is authorized to appoint a harbor master as its chief executive, who shall have management of all the affairs and activities that are placed under the jurisdiction of the Harbor Commission. He is authorized, subject to the approval of the Commission, to appoint and remove heads of all departments or bureaus not subject to the civil service provisions of the charter.

The new section, Section 48.1, provides that persons actually employed in the operating service of the harbor at the time this is taken over by the City shall be continued in their respective positions pursuant to the civil service provisions of the charter. Such employees also shall become members of the City's retirement system and the City shall make allowance and provision for prior service of such employees rendered to the Board of State Harbor Commissioners as may be recommended by the (City) employees retirement board and approved by ordinance of the Board of Supervisors. Such employees not residents of the City at the time the harbor shall be taken over by the City shall not be subject to the residential qualifications provided by the charter.

It is likewise provided that the Harbor Commission shall be subject to the budgetary and fiscal procedure elsewhere provided in the charter. The revenues of the harbor shall be deposited in a separate fund which shall be used for the payment of harbor expenses of every kind and nature, including bond interest and redemption charges, with the provision that any surplus in harbor funds shall be maintained for the improvement or extension of the harbor.

As stated, the amendment can have no legal effect unless and until: (1) Such time as the Legislature, by statute approved by the Governor, shall vest control of the harbor in the city and county, and likewise establish the conditions under which these properties will be turned over to the City by the State; and (2) subsequent to such action, a vote of the people of San Francisco, requiring two-thirds majority, on the assumption by the City of State bonded indebtedness for harbor purposes or authorizing the issuance of an equivalent amount of city and county bonds for the retirement of these State bonds.

Charter Amendment No. 7

POLICE PENSIONS

This amendment would revise Section 168 of the charter and would, in effect repeal Section 166 thereof, dealing with police pensions for members now in service in the Police Department.

It would increase pension benefits for police officers by from 50% to 100% more than present benefits. It would increase the City's cost for police

pensions by about 100%—an increased tax cost of from \$480,000 to \$560,000 per year.

Pension benefits on account of disability or death incurred in line of duty are now adequately provided for, and are not a point at issue in the consideration of this amendment.

Under the present system a member of the Police Department, age 62, who has had thirty years of continuous service may retire at his option, and retirement is compulsory at age 70. "Old members" of the Police Department—those in the service prior to January 8, 1932—and who have not exercised the charter option of coming under the new pension provisions of the charter (about 300 of the total force of about 1300), contribute \$2.00 per month, the City paying the balance of the cost of benefits. "New members" or "old members" who exercised the option referred to (about 1000), contribute on the basis of age, the average contribution being 4.26% of salary.

Existing charter provisions provide for a retirement pension to an "old member" amounting to one-half pay, and for a "new member" or an "old member" who exercised the option, a proportion of his pay which is determined by his length of service and which will approximate and may exceed 50% of salary. In each case the pension terminates at death, unless at retirement he elects to receive a smaller pension and leave a "death benefit" to his beneficiaries, with no extra cost to the system.

At the request of members of the Police Department, a charter amendment was submitted to and approved by the voters in May, 1935, extending the original charter option to January 1, 1936, whereby "old members" of the Department might exercise an option to become members of the retirement system under the procedure established by the charter for "new members." Under this option, approximately eight hundred "old members" of the Department have become members of the new retirement system and only about three hundred "old members" remain under the provisions of the old retirement system.

Despite this action in 1935, this proposed Charter Amendment No. 7 is now submitted on behalf of a group of members of the Department. It provides for optional retirement after twenty-five years of service regardless of age, which could be as low as forty-six years. It provides for compulsory retirement at age sixty-three. It provides for a benefit upon retirement *for service* of 50% of the average monthly salary during the preceding three years plus 1½% of such average salary for service over twenty-five years, with a maximum retirement allowance of 57½% of such salary. Such pension allowance would be continued after the death of a retired member to a widow, married to such member for at least five years prior to his retirement, and, under certain conditions, such allowances would be continued to children and parents.

This amendment also provides that retirement allowance for disability,

which is now half pay, would be determined by the retirement board, with no maximum limit, but to be at least one-half of the salary attached to the rank at such retirement. The amendment also provides that on death (apart from death in line of duty) of a member eligible for retirement, by reason of twenty-five years' service, that a pension equal to half-pay shall be paid to his widow if married to him for at least five years prior to death, and that such half-pay pension shall be continued to children and parents under certain conditions.

The amendment also provides that members' contributions—which are now \$2.00 per month for about 300 “old members” and averaging 4.26% of salary for about 1,000 “new members”—be fixed at 5% of salary. And that the balance necessary to provide benefits fixed by the amendment, such balance being 15% or more of payroll, shall be contributed by the City.

The additional benefits provided for members of the Police Department by this proposed amendment would represent an increase of from 50% to nearly 100% over benefits now provided. The amendment with its provision for *additional* benefits and the increase in *present* benefits would represent an increased cost to the City for police pension payments of about 100%.

Expressed in dollars, according to informal estimates it would result in additional costs to the City for current service ranging from \$250,000 to \$300,000 annually. For prior service, a \$60,000 additional annual cost would be the result from compulsory retirements. Costs on account of prior service under future retirements would range from \$175,000 to \$200,000 additional annually. Total increase in the annual tax cost to the City would range from \$480,000 to \$560,000 per year or 6 cents to 7 cents on the tax rate.

If mandatory retirement on half-pay at age 63 is desirable for police officers, it is desirable for all city employees and not members of the Police Department alone; and if desirable, the City should consider this for all employees and, in the light of the tremendous increased cost for pensions, consider also whether it can afford such cost.

If continuation of pensions to widows *based on service alone*, is desirable for members of the Police Department, it is desirable for all city employees and the City should likewise consider the tremendous increase in pension costs that would be involved and, on the basis of such information, should determine whether this increased pension benefit is to be extended throughout the entire city service.

The City's pension system as it now stands is on a sound actuarial basis, with adequate reserves, for *current* service of all groups except “old firemen” and “old policemen”—those in the service of these two departments prior to January 8, 1932. The budget estimates of the Retirement Board for the current fiscal year 1936-37 showed an accumulated deficit of approximately \$3,000,000 in appropriations for *current* service, representing sums required to be appropriated by the charter on account of “old firemen” and “old po-

licemen", but for which no appropriations have been made since the effective date of new charter fiscal provisions. An increase in the pension benefits, with the consequent increase in the amount required of the City, in the face of the City's failure to make contributions now mandatory under the charter certainly is not a wise proceeding.

The greatly enlarged benefits asked for in this amendment by a group of members of the Police Department and the tremendously increased cost involved are too great. The contributions required of the City for pensions during the current fiscal year amounted to over \$2,800,000. As stated above, this would be increased under the provisions of this amendment by \$560,000, an increase of 20%. Such increase would be for the benefit of only 1,375 of the City's employees, representing about 9% of the total membership in the employees' retirement system.

The submission of the amendment to the voters by the Board of Supervisors is probably illegal. Section 158 of the charter provides in part "that the Board of Supervisors shall secure through the retirement board an actuarial report of the cost and effect of any proposed change in the benefits under the retirement system before enacting an ordinance or before proposing to submit any such ordinance providing for such change." This was not done.

Regardless of the legality of the proceedings attending the submission of the proposed amendment, the increased and excessively costly benefits provided for a very small group of the City's employees, the increased cost involved therein to the taxpayers, and the threat of such increased tax burden to the integrity and continuance of the entire municipal retirement system—all these indicate the undesirability of this amendment.

Charter Amendment No. 8

POSITIONS IN THE TREASURER'S OFFICE

This amendment would add a new section, Section 142-1 to the civil service provisions of the charter. It would blanket in under civil service a general clerk who has been in the Treasurer's office for several years holding the position of chief assistant, which under Section 31 of the charter is and will continue to be exempt from civil service.

This amendment represents personal and specific legislation which encumbered the old charter and which was eliminated in large part by the adoption of the new charter. Over a period of years, successive amendments designed to blanket in persons, rather than positions, under civil service were defeated by the voters. This amendment would blanket in a person but would not bring under civil service the exempt position held by such person. The latter course was suggested to the Treasurer as one that would not do violence to the principles of the merit system, but apparently was not acceptable.

Charter Amendment No. 9
CONTRACTORS' WORKING CONDITIONS

This would amend Section 98 of the charter which specifies working conditions to be maintained by contractors and sub-contractors on public work. The principal purpose of the proposed amendment is to extend the ten per cent preference in bidding on contract work paid for out of city funds (which was adopted as an amendment to the charter in May 1935) to include also materials, supplies or equipment purchased by the City. The amendment was submitted to the Board of Supervisors late in the Board's consideration of charter amendments and was not heard nor discussed in detail.

The adoption of the amendment, if it had any effect at all, would increase the cost to the City of various types of materials, supplies and equipment in cases where locally-produced materials, supplies or equipment would be in competition with similar commodities produced outside of the city. It might also have the effect of barring nationally-known and standardized materials, supplies or equipment and offers a means whereby producers of "local" commodities of the same type might arbitrarily increase their prices to the City. If the amendment is adopted and can be made effective, it might increase costs of the City's purchases at the rate of \$100,000 per \$1,000,000 of purchases. This is not to the City's best interests.

Charter Amendment No. 10
PERMITS AND INSPECTIONS

This would amend Section 24 of the charter which now provides in part that permit or license fees to be fixed by the Board of Supervisors shall *not be less* than the cost to the City of regulation and inspection of the businesses covered by such permits or licenses. The amendment would set up as an alternative that insofar as City regulation and inspection of foodstuffs or articles of food for human consumption are concerned, the fees or licenses to be charged for such inspection or regulation shall not *exceed* the cost of regulation and inspection.

The proposed amendment is submitted at the request of operators of animal slaughter plants doing business in the City. However, the City's present scale of fees involves a cost to these operators of substantially the same that they would be required to pay if subject to State inspection and not subject to City inspection. The amendment as drawn goes beyond the field covered by the complaint against fees to cover the cost of animal-slaughter inspection; it would permit the fees now charged for the inspection of all food to be reduced below the cost of such inspection.

The existing provision whereby businesses subject to City inspection and regulation bear the cost thereof, rather than shifting such cost to the taxpayers, seems a reasonable one.

Charter Amendment No. 11
UTILITY FUNDS AND DEPRECIATION

This charter amendment would amend two existing sections of the charter, Sections 127 and 128, and provide a new section, Section 128.1—all dealing with depreciation requirements for municipally-owned utilities.

The charter now provides that funds for depreciation shall be appropriated from the receipts of each utility. This proposed amendment would eliminate such provision for depreciation and substitute therefor provision of funds for reconstruction and replacements.

Likewise the charter now requires the maintenance of a depreciation reserve fund for each utility, sufficient to meet the estimated costs of reconstruction and replacement thereof, "and in accordance with an established practice for utilities of similar character." It also provides for the payment of funds monthly into each such depreciation fund.

Under the proposed amendment, depreciation would be set up as a book account only, for the purpose of computing net income. Also in lieu of setting up a depreciation fund as now required by charter, the Public Utilities Commission must create and maintain a reconstruction and replacement fund for each utility, which shall be the basis for the amount necessary to appropriate annually to provide for such reconstruction and replacement. Although phrased in mandatory terms, this would probably require nothing more than annual appropriations in widely varying amounts.

The proposed amendment grew out of protest by the Manager of Utilities that the book accounts of annual depreciation, as maintained by the Controller, differ materially from the amounts appearing in the annual appropriation ordinances and paid in cash into the depreciation reserve funds of the utilities.

That contention is true. This condition is due to the fact that the Controller, in arriving at the annual net profit of each utility, has followed sound accounting principles and charged as an expense each year the amount of depreciation *accrued* on the utility properties, which always has been a much larger amount than the amount actually appropriated in cash each year for the depreciation reserve *funds*. As a result, the Controller's books show a large depreciation reserve for each utility, whereas the balances in the depreciation reserve funds representing cash are minor in comparison. This discrepancy has been commented upon repeatedly by the public accountants who have audited the City's books.

The Manager of Utilities contends that if the amounts set up by the Controller as accrued depreciation were appropriated annually in cash and set aside in the depreciation reserve *funds*, the results would be an unnecessary drain on the revenues of each utility, and the accumulation of a large "frozen" fund.

The amendment appearing upon the ballot was prepared by a committee

of accountants as a substitute for an amendment originally proposed by the Manager of Utilities. While it accomplishes its purpose insofar as clarifying the procedure with respect to the accounting of depreciation is concerned, the proposed amendment makes no provision for setting aside a depreciation reserve or depreciation fund. It would make it possible for the Utilities Commission, subject to revision downward by the Mayor or the Board of Supervisors, to set aside millions or nothing, or to set aside widely varying amounts from year to year.

Existing charter provisions requiring the maintenance of "a depreciation reserve fund for each such utility sufficient for the purposes mentioned in this section and in accordance with an established practice for utilities of similar character" would not, in the opinion of the Bureau—in which attorneys and accountants consulted by the Bureau concur—require the setting aside of unnecessarily large amounts into a depreciation fund that would become "frozen."

It would appear that existing charter provisions give better protection to the City and to the management of the several publicly-owned utilities. Under these provisions reconstruction and replacement expenditures are proper charges against the depreciation reserve funds, which under present provisions of the charter must be created and maintained, but which are eliminated in the proposed amendment.

Charter Amendment No. 12

POLICE DEPARTMENT

This amends Sections 35, 146, 148 and 172 of the charter primarily for the purpose of carrying into effect some of the major recommendations of the Mayor's Police Department survey group. The survey group was composed of the Controller who was designated by the Mayor as in charge; the Personnel Expert of the Civil Service Commission; the Director of this Bureau; and Bruce Smith of the Institute of Public Administration, an outstanding authority on police administration. The recommendations of the survey group which have been accepted and approved by the Police Commission and the Chief of Police, will when carried into effect result in material improvement in Police Department organization and procedure, will effect economies in excess of \$300,000 per year, and will result in increased police protection throughout the city. A large part of the survey group's recommendations can be carried into effect without amendment to the charter, but the charter amendment deals with certain of the fundamental recommendations. The organization and improvement of the department will be incomplete, and may be delayed and hampered, if the amendment is not adopted.

One of the major provisions of the survey report, and the most important of the changes included in the charter amendment, is the provision for certain

administrative assistants to the Chief of Police. The survey of the department indicated that the Chief of Police has twenty-four separate authority contacts, which involved an administrative job too large for any one man to handle, with the result that supervision and direction of the department is, and has been inadequate. The amendment provides for five new administrative assistants,—a deputy chief; a director, bureau of special service; a director, bureau of criminal information; a director, bureau of personnel; and a supervising captain of districts. It continues three existing administrative positions—captain of inspectors, captain of traffic, and department secretary, the duties of the latter being an enlargement of the duties of the existing chief clerk.

Other changes provided by the amendment are that the rank of corporal be abolished, incumbent corporals to be designated as sergeants, and those on the eligible list for appointment as corporal to become eligible for appointment of sergeant. The amendment likewise provides for a minimum of two years' service in each lower rank of the department as additional requirement for promotive appointment to each next higher rank. Also that the probationary period for entrance positions in the uniformed ranks of the department shall be one year, instead of six months as provided heretofore.

The amendment also includes minor changes recommended by the Police Commission relative to patrol special police officers.

The adoption of the amendment is required to facilitate the reorganization and improvement of the Police Department, which work can probably be accomplished within a period of one year if this amendment is approved.

Charter Amendment No. 13

POWER OF HEARING, INQUIRY AND SUBPOENA

This is an amendment to Section 21 of the charter to correct an inadvertent error made when the charter was drafted by the Freeholders. The charter now vests power of hearing, inquiry and subpoena in the Mayor, the Board of Supervisors, the Chief Administrative Officer, the Controller, and any board or commission. It provides that any person refusing to obey any such subpoena shall be deemed in contempt and "subject to proceedings and penalties as provided by general law in such instances."

Last year, incidental to the Atherton investigation of the Police Department, it developed that the general law provided for proceedings and penalties only for failure to obey a subpoena issued by a Board of Supervisors.

The proposed amendment corrects this situation and provides specifically that any person failing to obey a subpoena authorized in Section 21, shall be deemed in contempt, and may be brought before the Superior Court for hearing.

Charter Amendment No. 14

LIMITATION ON SPECIAL ASSESSMENTS

This amendment revises the provisions of Section 111, which now provides that special assessments shall not exceed 50% of the assessed value of land on which such assessment is levied, except that when assessments are authorized on an instalment basis over a ten-year period, no annual instalment shall exceed 25% of the assessed valuation. Under this the cost of an improvement, equal to 250 per cent of the assessed value of the property, may be levied as a special assessment on the property.

The amendment defines the assessed value as, "at the time of inception of the proceedings leading to the assessment." It also provides that no more than two instalments shall be payable in any one year, which would have the effect of authorizing a special assessment equal to 500 per cent of the assessed value of a piece of property. It also authorizes legislation, which may require that the property owner subject to assessment execute a bond guaranteeing the payment of the assessment, as a condition precedent to the right to pay a special assessment in instalments. This would appear to be in addition to the assessment constituting a lien on the property concerned, which is now provided by law.

This would seem to add to the difficulties of property owners who may be subject to special assessments to meet the cost of public works and improvements. If so, the amendment is not in the best interests of the property owners.

Charter Amendment No. 15

ZONING AND SET-BACK LINES

This is an amendment to Section 117 of the charter dealing with zoning and set-back lines. It provides that changes in zoning classification may be proposed to the City Planning Commission on the application of "the owner of the particular property involved in any such proposed change." Also that the right of protest and appeal against decisions of the City Planning Commission be limited to owners of property within three hundred feet of "the property involved." These changes are in conformity with the procedure that has been followed by the City Planning Commission and the Board of Supervisors in the past.

The amendment being regulatory rather than governmental is not analyzed nor commented on by the Bureau.

Charter Amendment No. 16

**NUMBER, COMPENSATION, AND MEETINGS
OF SUPERVISORS**

This amends Section 10 of the charter to provide compensation for future members of the Board of Supervisors at the rate of \$4,000 per year instead of the existing \$2,400 per year.

It was contended by supervisors who spoke in favor of the measure, that although it was understood that the new charter would lessen the duties and the time required of individual members of the Board, the Board's duties and the time required of members had in fact materially increased.

Supervisors who spoke in opposition to the amendment stated that the new charter had relieved the Board of many of its former administrative duties, and that although the demands on the time of individual members had increased, this was probably due to the fact that the Board did not handle and dispose of the business that came before it with sufficient expedition.

The compensations paid to members of city councils in ten cities—the five next larger and the five next smaller than San Francisco, where the same type of mayor-council government is in effect—are as follows

City	1930 Population	Number of Councilmen	Annual Salary
Pittsburgh.....	670,000	9	\$8,000
Seattle.....	366,000	9	3,000
Baltimore.....	805,000	19	2,500
Buffalo.....	573,000	14	2,500
SAN FRANCISCO.....	634,000	11	2,400
Milwaukee.....	578,000	27	2,400
Cleveland.....	900,000	33	1,800
St. Louis.....	822,000	29	1,800
Minneapolis.....	464,000	26	1,800
Boston.....	781,000	22	1,700
Indianapolis.....	364,000	9	600

Charter Amendment No. 17

FRANCHISES

This would add a new section, Section 9.1, to the charter. It was stated that this amendment is supplemental to State law dealing with franchises and authorizes the Supervisors to grant franchises for the following purposes not specifically covered by State law—"the operation of passenger, freight, and express carrying buses, interurban or otherwise, irrespective of the means of locomotion, as well as any means or methods for conveying letters, packages, or articles by tubes or chutes or other conveyances, as well as for the method or means of the conveying or transmission of signals or alarms . . . whenever any of such service or services shall be conducted on, over or under any public street, way, alley, lane, or public park or place."

It was stated that such legislation is necessary to deal with a situation such as recently developed through the application to the Railroad Commission for the right to operate passenger buses over the Golden Gate Bridge.

The amendment, however, appears to be "ordinance material" that should not be included in the charter—the type of material which, dealing with

every conceivable subject, cluttered up the old charter. Under Section 3 of the charter, it is provided that where a procedure for the exercising of any rights or powers belonging to the city is provided by State statute, such procedure shall control and be followed unless a different procedure is provided in or by ordinance enacted by authority of the charter. This would seem to grant sufficient authority for the Supervisors by ordinance to deal with interurban buses or any other matter requiring permit or franchise that is not specifically covered by general law.

Charter Amendment No. 18

APPROPRIATIONS TO MEET UTILITY DEFICITS

This would amend Section 74 of the charter which, as it now stands, provides that in the adoption of a budget of expenditures for any utility which will exceed the estimated revenues of such utility, the approval of such budget and the appropriation of funds necessary to meet the deficit shall require two-thirds vote of the Board of Supervisors. The existing section further provides that no such budget of expenditures in excess of revenues shall be approved if it includes proposed expenditures for additions, betterments, extensions or other capital costs which shall require financing by authorization and sale of bonds.

The Manager of Utilities contends that this is a burdensome and unnecessary restriction on the proper development of the Municipal Railway and the Municipal Airport. He contends that each of these utilities will in the future require funds for additions, extensions or other betterments, which cannot be provided out of revenues and which it would be cumbersome to attempt to finance by the submission of bond issue proposals to the people. Accordingly, he has proposed this amendment to Section 74, to provide that budgets of expenditures in excess of estimated revenues may include up to \$500,000, which may be appropriated from tax funds, in any year, for additions, extensions or other capital costs for all municipal utilities.

It is the contention of the Manager of Utilities that relatively small appropriations, such as for the erection of a hangar at the Airport, should not require authorization by the people in the form of a bond issue. Also that submission to the people of individual extensions to the Municipal Railway, such as to the Marina and to Bay View would be of purely local interest and would not receive the necessary city-wide vote.

The amendment, if adopted, may have the undesirable effect, however, of restoring to the Board of Supervisors a measure of the authority over utility extensions that the Board exercised under the old charter. The use of such authority, by including unnecessary extensions in bond issue proposals, led to the refusal of the people to approve such bond issues. The Utilities Commission, to get tax funds for a needed extension, might have

to agree to include a request for tax funds for other extensions, bus lines, etc., which otherwise would not be approved by the Commission.

In lieu of this proposal, consideration should be given to an increased rate of fare, or a bond issue. The five-cent fare is considered as a fixture in San Francisco. It should be recalled, however, that in 1930 the people voted down an ordinance, on referendum, that would have fixed the fare permanently at five cents.

It is probable that a properly integrated program of utility projects for the Municipal Railway and perhaps also the Airport, which would require financing during the next several years, over and above the amount of financing that can be made out of utility revenues, can be developed by the Utilities Commission and submitted as a bond issue proposition to the voters, with every expectation of this receiving their favorable consideration.

Proposition No. 19

REPEAL OF ANTI-PICKETING ORDINANCE

This proposition is submitted by the Board of Supervisors at the request of labor groups in the City and if adopted would repeal the so-called anti-picketing ordinance which was adopted by the voters as an initiative measure at an election held in November 1916.

This being a regulatory rather than a governmental measure, it has not been analyzed by the Bureau.

Proposition No. 20

PROHIBITING BILLBOARDS NEAR APPROACH TO SAN FRANCISCO BAY BRIDGE

This ordinance is submitted by the Supervisors at this special election on the basis of an initiative petition stated as having sufficient signatures to force the submission of the proposition at the next general election in November. It provides for the exclusion, with certain exceptions, of billboards or other advertising devices on any property within 382 feet of any part of the structure, ramp or approaches of the San Francisco-Oakland Bay Bridge.

This being a regulatory rather than a governmental measure, it has not been analyzed by the Bureau.

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No. 2

1937-38 Budget Analysis

Departmental Budget Estimates Reduced by Mayor

Comparative Increases in Expenditures

Decreases in Expenditures

Revenue Appropriations

Policy of Wholesale Salary Increases Continued

Increases by Reclassification

Adverse Effect on Salary Standardization

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1937-38 Budget Analysis

The proposed annual budget for 1937-38 was submitted by the Mayor to the Board of Supervisors on May 1, 1937. Exclusive of capital funds, it totals \$58,381,982, the largest in the history of the City. It represents an increase of almost two and three-quarter million dollars over the budget for 1936-37.

Non-tax revenues, exclusive of capital funds, are estimated as \$26,372,625, an increase of \$1,678,469. The balance must be provided by the tax levy. This is tentatively estimated by the Controller as \$32,009,357, an increase of \$1,071,492 over the levy for 1936-37. As the total of the 1937-38 assessment roll will not be known until August, any estimate at this time of the probable tax rate can be only speculative. However, on the basis of the 1936-37 assessment roll, an increase of approximately 13 cents in the tax rate—from \$3.78 to \$3.91—is indicated.

The Supervisors have until May 25, 1937, to adopt the budget, and pass the appropriation ordinance "for second reading." The Supervisors have power to decrease items in the budget, but can vote increases only for capital expenditures. If past performance can be considered as indicative of the Supervisors' action on the proposed budget, the appropriations recommended by the Mayor will not be changed materially. For 1936-37 the Supervisors reduced the Mayor's budget by the sum of \$7,193.

Departmental Budget Estimates Reduced by Mayor

Exclusive of bond funds, the departmental budget requests for 1937-38 as recommended to the Mayor by the Chief Administrative Officer and the several department heads, boards and commissions, totaled over \$76,000,000 gross—i. e., before deduction of intra-fund and inter-fund transfers.

The Mayor made additions to and deductions from this figure. The additions are based on revised estimates of revenues to be received from the following utilities during 1937-38, over the original estimates of the Public Utilities Commission:

Water Department	\$342,653
Hetch Hetchy Power.....	199,880

Major reductions made by the Mayor were, in round numbers, as follows:

New Street Lighting Systems—various.....	\$1,036,000
Park—Land, Improvements and Equipment.....	694,000
Municipal Railway—Additions and Betterments..	475,000
Airport—Buildings, Structures and Improvements	467,000
Water Department—Additions and Betterments—	
Survey of Properties.....	242,000
Hetch Hetchy Power—Depreciation.....	218,000
Retirement System—Current Pensions.....	517,000
Retirement System—Deficits of Five Prior Years....	3,336,000

The Mayor's net reductions of over \$6,000,000 brought the gross budget to \$69,889,243 which, after deducting intra-fund and inter-fund transfers, resulted in the net budget total of \$58,381,982, referred to above.

Comparative Increases in Expenditures

Table I shows in summary the increases and decreases in expenditure appropriations for 1937-38 as compared with those for 1936-37. These increases and decreases are detailed in Table III.

The largest increase, \$840,000 for old age pensions, is partially offset by an increase of \$644,136 in subventions representing the State's subsidy and Federal aid through the State.

The next largest increase is in the amount of "surplus," from Water Department revenues, transferred to the General Fund—from \$1,407,984 for 1936-37 to \$1,879,038 for 1937-38, an increase of over \$471,000. The manner in which the Water Department's budget request was cut to produce this surplus is worthy of note. The departmental request included an item of \$847,768 for interest and redemption of the 1933 Water Distribution bonds, a proper charge against current revenues. This was eliminated by the Mayor, and Federal PWA grant funds and premiums received from the sale of water bonds were used for this purpose. Other reductions by the Mayor were: additions and betterments, \$192,500; survey of properties, \$50,000; maintenance, \$25,000; current depreciation replacements, \$23,805; services of Hetch Hetchy Water Supply, \$31,995; services of Public Utilities Commission, \$12,890; miscellaneous small items (net), \$19,820; total reductions and eliminations, \$1,203,778. To the latter figure the Mayor added \$342,653, based on the revised estimate of 1937-38 water revenue in excess of such revenue as originally estimated by the Department. This produced a total increase of \$1,546,431 in the amount of "surplus" transferred from the Water Department to the General Fund, over the amount of \$332,607 originally shown in the Water Department's budget as available for transfer—a total of \$1,879,038.

The Water Department surplus of \$1,879,038 as so created is largely fictitious. It is temporary, as will no doubt be evidenced by an increase in 1938-39 taxes, and evidenced further by a burden on Water Department costs until 1953. It is made possible by the fact that premiums on bonds sold—the premiums being a product of the 4% interest rate fixed for these bonds—are used to pay 1937-38 interest and redemption on water bonds, instead of being applied to interest charges throughout the life of these bonds. It is made possible also by the use of Federal PWA grant funds for current bond interest and redemption (a policy initiated in the 1934-35 budget) instead of applying such grant funds to reducing capital costs—to the redemption of bonds through the twenty-year life of the bond issue.

Of the \$386,000 Health Department increase, \$76,382 is due to salary increases and \$84,800 is due to new positions, the balance representing the

Table I.

**SUMMARY OF INCREASES AND DECREASES IN 1937-38
EXPENDITURE APPROPRIATIONS AS COMPARED
WITH 1936-37**

(Exclusive of Bond Funds)

	Increase	Decrease
Old Age Pensions.....	\$ 840,144	.....
Water Department Surplus to General Fund.....	471,054	.....
Health Department.....	386,248	.....
Bond Interest and Redemption.....	225,999	.....
Water Department—Operating.....	225,799	.....
Schools.....	198,228	.....
Emergency Reserve.....	.....	175,000
Public Works Department.....	161,889	.....
Construction—Street Lighting System.....	.....	153,500
Employees' Retirement System.....	133,248	.....
Hetch Hetchy Power.....	.....	112,900
Municipal Railway.....	111,116	.....
Purchasing Department (for var. Depts.).....	95,801	.....
Parks.....	93,075	.....
County Welfare Dept.—Administration.....	80,587	.....
Widows' and Blind Pensions.....	66,027	.....
Registrar of Voters.....	.....	63,182
San Francisco Airport.....	31,829	.....
Juvenile Court.....	26,133	.....
Utility Engineering Investigation.....	25,000	.....
Controller—Tax Judgments, Claims, etc.....	.....	23,488
Controller—Office.....	22,182	.....
Street Construction and Other Gas Tax Expenditures.....	.....	23,415
Assessor.....	20,730	.....
Street Lighting.....	20,235	.....
Various Under \$20,000.....	179,384	15,065
	\$3,414,708	\$566,550
	566,550	
Total Net Increase.....	\$2,848,158	
Less—Increase in Transfers.....	98,197	
Total Actual Increase—Per Table III.....	\$2,749,961	

cost of a new unit, and increases for foodstuffs and materials and supplies at the various institutions.

The first annual redemption of the 1928 Hetch Hetchy Water Bonds accounts for the \$226,000 increase in Bond Interest and Redemption. The fiscal year 1937-38 represents the peak to date in appropriations for bond interest and redemption.

An increase of \$133,200 in additions and betterments and an increase of \$66,687 in the cost of services of other departments are the outstanding items in the \$226,000 increase in the Water Department's expenditures.

The increase in School expenditures is made up largely of "automatic" salary increases to teachers whose rates are below the maximum salary brackets.

Salary increases of \$12,744 and increases in new positions of \$80,943 appear in the Public Works Department budget, and account for more than half of the increase of nearly \$162,000. Increased allowances for sewer cleaning equipment and sewage pumping equipment and construction amount to \$33,000.

The increase of \$133,000 for Employees' Retirement System is made up of \$69,000 for "old" fire and police pensions, \$54,000 for the entire municipal service, exclusive of "old" firemen (in the service prior to January 8, 1932) and those police officers still under the "old" system, and \$10,000 for the City's payments under Workmen's Compensation Insurance.

The Municipal Railway increase of \$111,000 is made up largely of \$65,000 for bridge terminal (Plan X) connection, \$16,000 increase in personal service and \$10,000 for engineering expense.

Decreases in Expenditures

The decrease of \$175,000 in the Emergency Reserve is stated as due in large part to including in the 1937-38 appropriations for Health, County Welfare and other departments, various items on a permanent basis that were provided for in the Emergency Reserve appropriation for 1936-37, because of their then tentative nature or because their cost could not then be estimated.

Street Lighting construction undertaken in 1936-37 aggregating \$153,500 is not continued in the 1937-38 budget.

The reduction of \$112,900 in Hetch Hetchy Power expenditures, is based on an equivalent reduction in the estimate of revenue to be received under the agency contract for the disposal of the power.

Other increases and decreases of less than \$100,000 are shown in Table I, and, in further detail, in Table III.

Revenue Appropriations

The estimated revenues appropriated to fund the 1937-38 budget of expenditures are shown in the accompanying Table II.

The largest amount of increase is in the total of the several subventions, the increase amounting to \$1,143,000 (round numbers). Of this, \$644,000 is an increase in the subvention for the needy aged, representing the State's subsidy and Federal aid through the State. Another large increase is the proportion of beverage fees paid by the State to the City, the increase amounting to \$400,000.

The next largest item of increased revenue is the tax levy which, as stated in the foregoing, will be over \$1,071,000.

Utility revenues, including utility surpluses from the current year, show an increase of about \$1,029,000. The largest amount of this increase comes from the Water Department, over \$696,000, made up of estimated increased

Table II.
1937-38 REVENUE APPROPRIATIONS AS COMPARED
WITH 1936-37

(Arranged in Order of Amount)
(Group Totals in Italics)

	1937-38	1936-37	Increase or —Decrease
<i>Taxes</i>	<i>\$32,009,357</i>	<i>\$30,937,865</i>	<i>\$1,071,492</i>
<i>Non-Tax Revenue</i>	<i>27,610,567</i>	<i>26,581,583</i>	<i>1,028,984</i>
<i>Utilities</i>	<i>12,791,242</i>	<i>12,052,523</i>	<i>738,719</i>
Water Department—Current	6,890,834	6,339,080	551,754
Water Department—Surplus of			
Prior Years	145,099	.....	145,099
Municipal Railway—Current	3,244,299	3,185,597	58,702
Municipal Railway—Surplus of			
Prior Years	21,360	—31,054	52,414
Hetch Hetchy Power—Current	2,411,000	2,263,900	147,100
Hetch Hetchy Power—Surplus of			
Prior Years .....	.....	260,000	—260,000
Airport	78,650	35,000	43,650
<i>Subventions</i>	<i>10,514,447</i>	<i>9,371,217</i>	<i>1,143,230</i>
Schools	4,617,500	4,643,790	—26,290
Needy Aged	2,155,286	1,511,150	644,136
Gas Tax—Current Year	1,656,775	1,619,277	37,498
Gas Tax—Surplus of Prior Years.....	—37,738	.....	—37,738
Beverage Fees	1,000,000	600,000	400,000
Vehicle Tax	500,000	500,000	.....
Widows' Pensions	177,270	137,500	39,770
Maintenance of Minors.....	166,267	140,000	26,267
Blind Pensions	109,587	57,500	52,087
Tubercular Patients	85,000	80,000	5,000
Fire Boats	82,000	82,000	.....
Candidates' Filing Fees.....	2,500	.....	2,500
Departmental Revenues.....	1,648,515	1,514,638	133,877
Assessor's Supplemental Roll.....	.....	100,000	—100,000
<i>Capital Funds</i>	<i>1,237,942</i>	<i>1,887,427</i>	<i>—649,485</i>
Bond Fund Proceeds.....	10,005	250,000	—239,995
P. W. A. Grants.....	388,892	1,574,748	—1,185,856
Bond Premium	839,045	62,679	776,366
<i>Surpluses</i>	<i>449,371</i>	<i>609,478</i>	<i>—160,107</i>
Bond Interest and Redemption.....	174,371	355,962	—181,591
Schools	275,000	253,516	21,484
Licenses	341,050	373,300	—32,250
Franchises	325,000	317,700	7,300
Fines	149,000	147,000	2,000
Permits	113,500	98,300	15,200
Delinquent Tax Penalties and Costs..	35,000	70,000	—35,000
Interest Revenue	5,500	40,000	—34,500
Total	<i>\$59,619,924</i>	<i>\$57,519,448</i>	<i>\$2,100,476</i>
Deduct Capital Funds.....	1,237,942	1,887,427	—649,485
Net Budget Appropriations.....	<i>\$58,381,982</i>	<i>\$55,632,021</i>	<i>\$2,749,961</i>

revenues of over \$551,000 and an estimated current year's surplus of \$145,000. Revenues from Hetch Hetchy Power show a net decrease of nearly \$113,000. Although the revenues for 1937-38 are estimated as \$147,000 higher, there is

no estimated surplus from the current year, whereas the 1936-37 revenues were enhanced by a surplus of \$260,000 from the prior year. Airport revenues are estimated as over \$43,000 higher, which although relatively small in amount, represents an increase of over 100%.

Revenue from capital funds shows a decrease of over \$649,000. Of the amount appropriated for this purpose in the 1937-38 budget, nearly \$1,238,000, all is applied to meet bond interest and redemption costs and none for capital purposes.

Policy of Wholesale Salary Increases Continued

The policy of wholesale salary increases, inaugurated by the budget for the current fiscal year, 1936-37, has been continued in the proposed budget for 1937-38. This proposed budget contains approximately 1,666 salary increases, including an unknown number, estimated as approximately 350, of Park employees and over 530 employees in the Health Department known as institutional help. Salary payments of the latter group of employees were increased during this current fiscal year, and were then further increased by the device of reducing the amount of deduction for board, room and laundry.

Last year, the budget provided for 850 salary increases at an increased payroll cost of \$84,000; the School Department budget provided for 1,163 increases, amounting to \$128,000—total, \$212,000.

The salary increases proposed in the Mayor's budget for 1937-38 will add approximately \$222,000 to the annual payroll cost. In addition, it is understood that the School Department budget, which is not subject to review by the Mayor or Board of Supervisors, provides for 1,062 salary increases aggregating about \$108,000—total, \$330,000. This is equivalent to about 4 cents increase in the tax rate.

The salary increase policy adopted a year ago and continued again this year in the proposed 1937-38 budget might, without analysis, be considered as a readjustment process following the depression, as has been the situation recently in the ranks of private employment. This is not the case. The temporary and relatively slight salary reductions put into effect by charter amendment for two of the six years of depression, were restored two years ago. Salaries of city and county employees were back to the high pre-depression City levels by the fiscal year 1935-36.

Table IV lists 1,631 salary increases, and 35 reclassifications of positions resulting in salary increases for the City's service except schools and 1,062 increases in the School Department. There is also a net increase of 186 in the number of positions. The total annual cost for salary increases is estimated as amounting to \$330,000.

This amount may be increased if the Board of Supervisors follows the precedent established last year, when the Board adopted a budget providing for a larger number of salary increases than the number first recommended, by the device of having the department heads propose and the Mayor approve,

in writing—all within the letter, if not the spirit, of charter provisions—supplementary recommendations submitted after the budget had been prepared.

The tables are based on the Mayor's budget as submitted to the Board of Supervisors. Some of the items are subject to more than one interpretation. As time has not permitted making a check against the records of the Civil Service Commission, the data is submitted as a preliminary statement subject to possible minor revision.

Increases by Reclassification

Of the total number of salary increases contained in the Mayor's budget, 35 were accomplished by reclassification of positions. In most instances the Civil Service Commission considers these as new positions. For example, fourteen reclassifications occurred in the Assessor's office, resulting in thirteen salary increases amounting to \$8,580 annually. In this department, increases due to reclassification of positions ranged from \$1,200 down to \$300 per year.

Twelve of the 1,666 salary increases proposed in the Mayor's budget exceed the maximum rates for their respective classes, as established by the April 9, 1930, salary standardization schedule of the Civil Service Commission. These proposed increases are apparently in violation of charter provision. The charter provides that pending the adoption of salary standardization, compensations shall not be increased in excess of salaries paid for like service in other city departments or private employment, nor in excess of the rate fixed for any service or position in the schedule of compensations issued by the Civil Service Commission on April 9, 1930. Sections 71 and 151 of the charter have the effect of maintaining the "status quo" in maximum salary levels for employees whose compensations are subject to standardization, until such time as the Board of Supervisors adopts salary standardization as provided in the charter.

Representatives of the Civil Service Commission have stated that a report will be submitted to the Board of Supervisors as to the illegality of such increases and that they will be removed.

Adverse Effect On Salary Standardization

Salary standardization has been postponed, unnecessarily, for years. The large number of salary increases allowed last year undoubtedly had the effect of further postponing the possibility of securing salary standardization as an accomplished fact. Recommendations recently approved by the Civil Service Commission for increasing a few rates in the Commission's 1930 schedule, the legality of which recommendations has been questioned, will, if carried out, be an additional factor in postponing the standardization of salaries. Further wholesale increases, such as are provided in the 1937-38 budget, will be an additional force along the same lines.

The proposed increases probably can be justified in many cases because of other compensations paid in the City's service. It is probable, however,

that few, if any, of the proposed increases can be justified on the basis of the salary standardization principle established by the charter. This reads "such compensations (in the City Service) shall be not higher than prevailing rates for like service and working conditions in private employment or in other comparable governmental organizations in this state."

The form of salary standardization apparently given official sanction is an increase in the level of salaries within the municipal service to the highest prevailing rate in the 1930 schedule for similar work. This has the effect of standardizing salaries at the highest municipal rate, regardless of whether such rate could be justified in 1930, or can be justified now. In only a small number of classes, notably per diem workers whose rates are fixed by agreements, has any attempt been made to fix rates at not to exceed the rates paid by private firms as required by the charter. Piecemeal revision of the salary scale as exemplified by the current and next year's proposed budget and by the Civil Service Commission's effort to amend the 1930 schedule, is the result.

APPENDIX

Table III.

1937-38 BUDGET APPROPRIATIONS
AS COMPARED WITH 1936-37(Arranged in Order of Amount)
(Group and Department Totals in Italics)

	1937-38	1936-37	Increase —Decrease
1. Public Utilities	\$14,971,272	\$14,331,764	\$ 639,508
Water Department.....	7,035,933	6,339,080	696,853
Bond Interest and Redemption.....	2,932,025	2,977,025	-45,000
Operation, Taxes, Depreciation.....	1,728,600	1,657,688	70,912
Oper., Payments to Other Depts.....	228,070	161,383	66,687
Additions and Betterments.....	268,200	135,000	133,200
Surplus to General Fund.....	1,879,038	1,407,984	471,054
Municipal Railway	3,265,659	3,154,543	111,116
Operation, Taxes, Depreciation.....	2,945,362	2,918,621	26,741
Bond Interest and Redemption.....	177,500	182,500	-5,000
Oper., Payments to Other Depts.....	77,797	53,422	24,375
Additions and Betterments.....	65,000	.....	65,000
Hetch Hetchy Power.....	2,411,000	2,523,900	-112,900
H. H. Bond Int. and Red.....	2,077,587	2,116,854	-39,267
H. H. Bond Int. and Red.	.....	85,000	-85,000
Supplemental Appropn. ....	.....	85,000	-85,000
Operation, Taxes, Depreciation.....	203,232	174,103	29,129
Oper., Payment to Other Depts.....	130,181	147,943	-17,762
Light and Power	1,682,840	1,816,105	-133,265
Lighting Streets	752,000	729,500	22,500
Light and Power for Utilities.....	585,200	602,500	-17,300
Lt. and Power for Bldgs. and Depts.	320,240	305,905	14,335
Payment Services of Other Depts...	22,400	21,700	700
Constr. of Street Lighting System....	3,000	156,500	-153,500
Hetch Hetchy Water Supply.....	239,928	221,003	18,925
Operation, Taxes, Depreciation.....	226,978	210,053	16,925
Oper., Payment to Other Depts.....	12,950	10,950	2,000
Airport	218,217	186,388	31,829
Land Purchase	105,000	113,550	-8,550
Operation	80,267	67,338	12,929
Equipment	32,950	5,500	27,450
Public Utilities Commission.....	117,695	90,745	26,950
Salaries, Contractual, etc.....	71,295	69,345	1,950
Utility Engineering Investigations..	25,000	.....	25,000
Payment Services of Other Depts...	21,400	21,400	.....
2. Debt Charges	14,902,148	14,675,155	226,993
Bond Interest and Redemption.....	14,761,203	14,535,204	225,999
Interest—Utility Bonds	5,083,963	5,231,533	-147,570

Table III—(Continued)

	1937-38	1936-37	Increase —Decrease
Interest—General Bonds	2,270,140	2,443,571	-173,431
Redemption—Utility Bonds	3,740,000	3,161,000	579,000
Redemption—General Bonds	3,667,100	3,699,100	-32,000
Instal. Pay't—State Relief Loan.....	101,727	101,727	.....
Interest—State Relief Loan.....	31,218	31,224	-6
Interest—Tax Anticipation Notes.....	8,000	7,000	1,000
3. School Department	10,694,393	10,496,165	198,228
Common School Fund.....	9,754,393	9,519,165	235,228
Special School Tax.....	940,000	977,000	-37,000
4. Police Department	3,528,336	3,528,464	-128
5. County Welfare	3,512,698	2,525,940	986,758
Old Age Pensions	2,940,144	2,100,000	840,144
Widows' Pensions	259,354	250,000	9,354
Blind Pensions	171,673	115,000	56,673
Administration	141,527	60,940	80,587
6. Health Department	3,499,200	3,112,952	386,248
San Francisco Hospital	1,592,276	1,384,021	208,255
Central Office	743,827	643,773	100,054
Laguna Honda Home	616,781	558,681	58,100
Emergency Hospitals (7)	234,667	225,305	9,362
Hassler Health Home	102,761	93,850	8,911
Isolation Hospital	41,288	37,222	4,066
Feeble-Minded Care	155,000	157,500	-2,500
Burial Indigent Dead	12,600	12,600	.....
7. Fire Department	3,352,509	3,348,277	4,232
Operating	3,257,509	3,253,277	4,232
Equipment	95,000	95,000	.....
8. Employees Retirement Board.....	2,492,161	2,358,913	133,248
Misc. Emp., "New" Fire and Police....	1,288,319	1,234,656	53,663
"Old" Fire Pensions.....	692,900	667,900	25,000
"Old" Police Pensions.....	423,600	379,000	44,600
Workmen's Compensation Insurance..	50,000	40,000	10,000
Administration Expense	37,342	37,357	-15
9. Public Works Department.....	2,151,452	1,989,563	161,889
Street Cleaning	559,823	530,691	29,132
Building Repair	415,204	405,170	10,034
Street Repair (County Road Fund)....	379,646	354,213	25,433
Sewer Cleaning and Repair.....	261,192	217,294	43,898
Engineering	236,395	233,255	3,140
Building Inspection	72,590	44,920	27,670
Bridge Operation (County Rd. Fund)	62,316	64,574	-2,258
General Office	52,919	52,869	50
Side Sewers	35,000	35,000	.....
Sewage Pumping Station	29,982	7,482	22,500
Accounts	28,585	27,595	990
Permits	17,800	16,500	1,300
10. Park Department	1,382,542	1,289,467	93,075
Operation	1,247,642	1,161,051	86,591
Land Purchase and Improvement.....	109,900	93,416	16,484
Palace of Fine Arts—Rehabilitation....	25,000	35,000	-10,000

Table III—(Continued)

	1937-38	1936-37	Increase —Decrease
11. Unemployment Relief	1,300,000	1,300,000	.....
Direct Relief	900,000	900,000	.....
City's Costs—W. P. A. Projects.....	400,000	400,000	.....
12. Capital Funds	1,237,942	1,887,427	-649,485
Expended for Bond Int. and Redemp.	1,237,942	1,637,427	-399,485
Premium—1933 Water Dist. Bonds	732,463	.....	732,463
Premium—1933 Sewers	106,582	.....	106,582
Premium—1929 Sewers .....	.....	62,679	-62,679
Federal Grant—1933 High Pressure	150,500	106,538	43,962
Federal Grant—1934 School House	128,018	344,251	-216,233
Federal Grant—1933 Water Dist.....	110,374	807,262	-696,888
Federal Grant—1933 H. H. Dam....	.....	255,495	-255,495
Federal Grant—1933 Sewers .....	.....	61,202	-61,202
Unap. Bal.—1933 Water Dist.....	8,085	.....	8,085
Interest—1933 Sewers	1,920	.....	1,920
Expended for Capital Purposes.....	.....	250,000	-250,000
13. Gasoline Tax Funds	1,177,175	1,200,590	-23,415
(Shown in Public Works Above).....	(441,962)	(418,787)	.....
Street Construction	602,625	331,440	271,185
Unappropriated Surplus .....	.....	328,740	-328,740
Blvd. Bond Int. and Red., part.....	200,000	200,000	.....
Street and Traffic Signs, Signals.....	99,500	36,500	63,000
Reimburse State, Bridge Approach.....	97,500	97,500	.....
Two Joint Highway Districts.....	79,050	34,150	44,900
Repairs—Bridges .....	.....	48,260	-48,260
Lighting Boulevards	40,000	40,000	.....
Golden Gate Bridge Approach, part....	.....	40,000	-40,000
Tree and Parkway Maintenance.....	22,500	22,500	.....
Engineering Traffic Studies.....	20,000	20,000	.....
Investigation and Claims.....	15,000	.....	15,000
Land Purchases	1,000	1,500	-500
14. Purchasing Department	1,173,089	1,077,288	95,801
Materials and Supplies—Var. Depts... ..	352,961	320,892	32,069
Equipment—Various Departments.....	320,942	262,290	58,652
Contractual Services—Var. Depts.....	164,679	162,335	2,344
Official Bonds—Var. Depts.....	17,575	18,850	-1,275
Bureau of Supplies Repair Shops.....	183,600	180,390	3,210
Bureau of Supplies.....	132,400	131,849	551
Services of Other Departments.....	932	682	250
15. Juvenile Court	678,751	652,618	26,133
Maintenance of Minors.....	532,000	525,000	7,000
Juvenile Probation Office.....	86,635	73,275	13,360
Juvenile Detention Home	40,616	36,843	3,773
Maintenance of Minors, State Schools	19,500	17,500	2,000
16. Finance and Records.....	659,960	719,662	-59,702
Registrar of Voters	207,375	270,557	-63,182
Tax Collector	162,830	159,823	3,007
County Clerk	136,795	151,152	-14,357

Table III—(Continued)

	1937-38	1936-37	Increase —Decrease
Recorder	103,200	89,745	13,455
Public Administrator	41,750	40,375	1,375
Director's Office	8,010	8,010	.....
17. Recreation Department	632,934	613,012	19,922
Operation	557,434	483,012	74,422
Land Purchases	75,500	130,000	—54,500
18. Public Library	470,000	455,584	14,416
Operation	390,000	350,584	39,416
Books and Bindery Materials.....	80,000	80,000	.....
Binding .....	.....	25,000	—25,000
19. Controller	394,392	395,698	—1,306
Controller's Office	251,264	229,082	22,182
Tax Judgments Fund.....	101,128	104,616	—3,488
Judgments and Claims.....	35,000	45,000	—10,000
Legislative Expense	2,000	12,000	—10,000
Auto Liability Claims.....	5,000	5,000	.....
20. Sheriff	391,840	378,988	12,852
21. Assessor	257,832	237,102	20,730
22. Superior Court	245,480	242,855	2,625
Superior Court	205,480	202,855	2,625
Maintenance—Criminal Insane	17,000	17,000	.....
Examination of Insane	12,000	12,000	.....
Grand Jury Expense.....	11,000	11,000	.....
23. Municipal Court	233,760	220,128	13,632
24. Department of Electricity.....	213,249	201,668	11,581
Operation	210,249	198,668	11,581
Installation Fund	3,000	3,000	.....
25. Publicity and Advertising.....	200,000	200,000	.....
26. War Memorial	128,651	118,248	10,403
Memorial and Opera House.....	112,756	103,843	8,913
Art Museum	15,895	14,405	1,490
27. Emergency Reserve	125,000	300,000	—175,000
28. Board of Supervisors.....	121,535	121,535	.....
29. District Attorney	116,845	110,095	6,750
30. M. H. deYoung Museum.....	101,490	83,080	18,410
31. City Attorney	100,900	100,900	.....
32. Director of Property.....	79,276	78,931	345
Auditorium	51,316	51,079	237
Real Estate Department.....	17,400	17,100	300
Rental—333 Kearny Street, 1936-37, 550 Montgomery Street, 1937-38....	10,560	10,752	—192
33. Civil Service	78,981	65,080	13,901
34. California Palace, Legion of Honor.....	78,636	74,966	3,670
35. Art Commission	73,100	70,438	2,662
Symphony and Municipal Band.....	65,000	65,000
Commission	8,100	5,438	2,662

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36. Coroner	59,947	59,564	383
37. Treasurer	55,310	55,550	-240
38. Mayor	49,450	47,580	1,870
39. Steinhart Aquarium	40,500	40,500	.....
40. Adult Probation	26,875	27,165	-290
41. Chief Administrative Officer.....	23,304	22,350	954
42. Sealer of Weights and Measures.....	21,865	21,715	150
43. Agricultural Commission	19,510	19,560	-50
44. Public Defender	18,745	18,645	100
45. Public Pound (S. P. C. A.).....	18,000	18,000	.....
46. City Planning Commission.....	16,310	15,820	490
47. Law Library	11,790	11,490	300
48. Board of Permit Appeals.....	8,050	8,020	30
Totals	\$71,127,185	\$68,928,512	\$2,198,673
Less—Intra-fund Transfers (General Fund)...	1,070,880	996,512	74,368
Total Per Appropriation Ordinance.....	\$70,056,305	\$67,932,000	\$2,124,305
Less—Inter-fund Transfers	10,436,381	10,412,552	23,829
	\$59,619,924	\$57,519,448	\$2,100,476
Less—Capital Funds	1,237,942	1,887,427	-649,485
Net Current Budget	\$58,381,982	*\$55,632,021	\$2,749,961

*Amounts shown for 1936-37 include supplemental appropriations aggregating \$635,000 and additions resulting from tax levy aggregating \$268,548; total additions \$903,548.

Table IV.

SALARY INCREASES IN 1937-38 BUDGET

(Rates shown are monthly, except where marked "d" to indicate "per day")

Department and Position	No.	Former Rate	New Rate	Total Annual Increase
<i>Board of Supervisors (7—\$2,940)</i>				
Chief Assistant Clerk.....	1	\$375	\$400	\$ 300
Chief Clerk	1	500	600	1,200
Bond and Ordinance Clerk.....	1	225	250	300
General Clerk-Stenographer	1	155	175	240
Assistant Clerk	3	225	250	900
<i>Mayor (1—\$120)</i>				
Secretarial Telephone Operator.....	1	155	165	120
<i>Assessor (2—\$480)</i>				
Senior Clerk	1	180	200	240
General Clerk Typist	1	155	175	240
<i>City Attorney (1—\$120)</i>				
Telephone Operator	1	150	160	120
<i>District Attorney (7—\$3,600)</i>				
Criminal Law Clerk.....	1	200	225	300
Senior Criminal Law Clerk.....	1	225	250	300
General Clerk-Stenographer	1	150	175	300
Senior Attorney—Criminal	1	375	425	600
Senior Attorney—Criminal	1	250	375	1,500
Principal Attorney—Criminal	1	275	300	300
General Clerk (part-time)	1	50	75	300
<i>Treasurer (2—\$660)</i>				
Teller	1	180	210	360
Assistant Cashier	1	325	350	300
<i>Sheriff (22—\$2,520)</i>				
Head Clerk	1	225	250	300
Jail Matron (one app'ted 8-26-36 @ \$170)....	2	170	180	240
Head Jail Matron.....	2	200	210	240
Jailers (one app'ted 1936-7 @ \$170).....	6	170	180	720
Superintendent of Jail.....	1	250	275	300
Writ Servers	8	215	220	480
Chauffeur	1	170	180	120
Farmer	1	135	145	120
<i>Fire (2—\$540)</i>				
General Clerk-Typist	1	150	165	180
Hydrant-Gateman	1	175	205	360
<i>Park (354—\$50,150)</i>				
General Clerk-Stenographer	2	115	125	240
Supt. (asst. in charge Golf Course).....	1	225	250	300
Cashier	1	125	135	120
Laborers, Gardeners, Sub-Fore., etc.....	350 (est.)			49,500
<i>Recreation (124—\$13,185)</i>				
General Clerk	2	165	175	240
General Clerk-Stenographer	1	155	165	120
Clerk Typist	1	140	150	120
Senior C. E. Draftsman.....	1	225	235	120
Laborers	10	150	155	600
Playground Caretakers	27	145	155	3,240

Table IV—(Continued)

Department and Position	No.	Former Rate	New Rate	Total Annual Increase
Playground Caretakers	22	150	155	1,320
Truck Drivers	2	150	160	240
Gardeners	4	145	155	480
Assistant Superintendent	1	250	260	120
Superintendent	1	400	450	600
Playground Directors	4	165	175	480
Playground Directors	20	150	160	2,400
Playground Directors	22	145	155	2,640
Supervisor of Music	1	200	210	120
Swimming Instructor (7 mos.)	1	135	145	70
Swimming Instructor (5 mos.)	1	150	155	25
Swimming Instructor (7 mos.)	1	130	145	105
Supervisor Swimming	1	185	195	120
Laborer (5 mos. less rm.—Camp Mather)	1	150	155	25
<i>Library (33—\$4,380)</i>				
Janitor-Janitress, part time	2	27.50	55	660
Librarian	7	120	130	840
Librarian	15	130	140	1,800
Librarian	7	140	150	840
Librarian	2	150	160	240
<i>War Memorial (9—\$1,740)</i>				
Secretary, Board of Trustees	1	250	275	300
Managing Director	1	500	550	600
General Clerk-Stenographer	1	155	165	120
Janitors	3	145	155	360
Watchmen	2	145	155	240
Window Cleaner	1	160	170	120
<i>Calif. Palace, L. of Honor (14—\$2,040)</i>				
Engineer and Building Supt.	1	200	225	300
Gallerymen	2	125	130	120
Gallerymen	2	125	135	240
Head Janitor	1	130	135	60
Janitor, Assistant	1	125	130	60
Stenographer	2	125	135	240
Librarian	1	110	125	180
Caretaker	3	90	110	720
Watchman	1	125	135	120
<i>deYoung Museum (5—\$960)</i>				
Recorder	1	150	175	300
Museum Instructor	1	150	175	300
Assistant Museum Instructor	1	110	125	180
Stenographer	1	125	135	120
Assistant Mechanic	1	135	140	60
<i>Municipal Court (8—\$2,100)</i>				
Senior Criminal Law Clerk	1	250	265	180
Senior Civil Law Clerks	4	240	265	1,200
Chief Assistant Clerk	1	275	300	300
General Clerk	1	240	250	120
Head Clerk	1	275	300	300
<i>Superior Court (1—\$300)</i>				
Secretarial Telephone Operator	1	125	150	300

Table IV—(Continued)

Department and Position	No.	Former Rate	New Rate	Total Annual Increase
<i>Law Library (1—\$300)</i>				
Law Librarian	1	450	475	300
<i>Juvenile Court (Probation) (11—\$1,884)</i>				
Probation Officer (Detention Home).....	1	180	185	60
Janitor	1	145	155	120
Cook	1	110	130	240
Male Attendants	2	135	145	240
Women Attendants	6	105.50	122.50	1,224
<i>Adult Probation (4—\$480)</i>				
Bookkeeper	1	175	185	120
Probation Officer	1	200	210	120
Probation Officer	1	190	200	120
Probation Office, Stenographer.....	1	200	210	120
<i>Tax Collector (7—\$1,140)</i>				
Director, Bureau of Licenses.....	1	225	250	300
General Clerks	4	155	160	240
Director, Bureau Delinquent Revenue.....	1	375	400	300
Attorney, Civil	1	250	275	300
<i>Registrar of Voters (3—\$894)</i>				
Registrar of Voters	1	450	500	600
Office Assistant	1	75	79.50	54
Voting Machine Adjuster.....	1	155	175	240
Judges of Election (Elections).....	....	5.00 d.	7.50 d.	....
Inspectors of Election (Elections).....	....	5.00 d.	7.50 d.	....
<i>Recorder (2—\$360)</i>				
Chief Clerk	1	280	300	240
General Clerk-Typist	1	155	165	120
<i>County Clerk (5—\$2,140)</i>				
Senior Civil Law Clerk.....	3	240	265	900
General Clerk	1	155	175	240
County Clerk	1	416.66	500	1,000
<i>Public Administrator (4—\$480)</i>				
General Clerk-Stenographer	1	150	165	180
General Clerk-Stenographer	2	150	160	240
Senior Clerk-Stenographer	1	175	180	60
<i>Purchasing (13—\$1,920)</i>				
General Clerk	1	165	175	120
Bookkeeping Mach. Punch Operator.....	1	165	175	120
Storekeeper	1	125	135	120
Produce Buyer and Storekeeper.....	1	150	175	300
Produce Buyer and Storekeeper.....	1	150	160	120
Produce Buyer and General Storekeeper.....	1	200	225	300
Asst. Purchaser of Gen. Supplies.....	1	225	250	300
Purchasing Agent	1	325	350	300
Watchman	2	145	155	240
Machinists Helper	2	6.58 d.	7.08 d.	Interdpt.
Boilermaker's Helper	1	6.58 d.	7.08 d.	Interdpt.
<i>Real Estate (8—as needed)</i>				
General Clerk-Stenographer (as needed).....	1	150	160	....
General Clerk-Typist (as needed).....	1	150	155	....
Div. Right-of-Way Agent (as needed).....	5	275	300	....
Asst. Chief Div. Right-of-Way Agt. (as needed)	1	375	400	....

Table IV—(Continued)

Department and Position	No.	Former Rate	New Rate	Total Annual Increase
<i>Dept. of Public Works (48—\$12,744)</i>				
<i>General Office (5—\$780)</i>				
General Clerk	1	155	165	120
General Clerk	1	155	175	240
Chief Telephone Operator.....	1	165	180	180
General Clerk-Typist	1	155	165	120
General Clerk-Typist (Interdepartmental).....	1	155	165	120
<i>Bureau of Accounts (2—\$240)</i>				
General Clerk	1	155	165	120
General Clerk-Stenographer	1	155	165	120
<i>Building Repair (6—\$1,644)</i>				
Assistant Superintendent Maint. and Repair....	1	275	300	300
Superintendent Maint. and Repair.....	1	325	375	600
Elevator Operator	1	155	154	(-12)
Locksmith (as needed).....	1	8.00 d.	200	360
Sheet Metal Shopm. (as needed).....	1	6.50 d.	7.00 d.	.....
Electrician (as needed)	1	9.00 d.	225	396
<i>Engineering (23—\$6,420)</i>				
C. E. Draftsman	1	240	250	120
Senior C. E. Draftsman	1	225	250	300
Senior C. E. Draftsman (apptd. 1936-7 @ \$240)	1	240	250	120
Chief C. E. Designer.....	1	450	475	300
Mechanical Engineer Designer.....	1	250	275	300
Engineer, Grades	1	275	300	300
Engineer, Street Impr. Investig.....	1	275	300	300
Engineer, Street Impr. Investig.....	1	250	275	300
Office Engineer	1	315	325	120
Surveyors	4	250	275	1,200
Assistant Chief Surveyor	1	275	300	300
C. E. Draftsmen (as needed).....	1	240	250	120
General Clerk-Stenographer (as needed).....	1	155	175	240
Senior C. E. Draftsmen (as needed).....	4	225	250	1,200
Mech. Draftsman (as needed).....	1	200	225	300
C. E. Designer (as needed).....	1	275	300	300
Sanitary Engineer-Designer (as needed).....	1	250	300	600
<i>Street Cleaning (7—\$1,440)</i>				
Watchmen	2	145	155	240
Garagemen	2	150	160	240
Supervisor Street Cleaning.....	1	275	325	600
District Directors	2	225	240	360
<i>Sewer Repair (2—\$600)</i>				
Assistant Superintendent	1	225	250	300
Superintendent	1	375	400	300
<i>Street Repair—Bridges (3—\$360)</i>				
Bridge Attendants	3	145	155	360
<i>Department of Electricity (4—\$1,260)</i>				
Line Inspector	1	210	225	180
Chief Fire Dispatcher.....	1	250	275	300
Lineman	1	200	215	180
Chief, Dept. of Electricity.....	1	416.67	466.67	600

SAN FRANCISCO BUREAU OF GOVERNMENTAL RESEARCH

Department of Public Health (744—\$76,382)

Central Office (69—\$9,540)

General Clerk-Stenographer	1	160	170	120
Telephone Operator	1	125	140	180
General Clerk-Typist	1	150	165	180
General Clerk-Stenographer	1	160	170	120
Field Nurse	1	150	165	180
Director, Bureau Child Hygiene.....	1	333.33	383.33	600
Food and Restaurant Inspector.....	4	185	200	720
Food and Restaurant Inspector.....	2	175	185	240
Dairy Inspector	1	200	225	300
Industrial Inspector	1	185	200	180
Supv. Field Nurse	1	225	230	60
Supv. Field Nurse	8	190	200	960
Director, Field Nursing	1	275	300	300
Field Nurses	25	165	175	3,000
Field Nurses	12	165	175	1,440
Chinese Visiting Nurse	1	165	175	120
Field Nurses (T. B. Bureau).....	7	165	175	840

Laguna Honda Home (104—\$10,660)

Telephone Operator	1	125	140	180
Institutional Help (B. R. & L.).....	90 (est.)			9,160
Laundress	1	95	100	60
Marker and Distributor	1	127	130	36
Washer (B. R. & L.).....	1	75	80.50	66
Seamstress	1	90	100	120
Instructor, Basketry (B. R. & L.).....	1	75	80.50	66
Senior Pharmacist	1	200	210	120
Farmer	1	75	95	240
Head Nurse (with B. R. & L.).....	4	135	145	480
Senior Orderly (with B. R. & L.).....	1	60	65.50	66
Senior Orderly (with B. R. & L.).....	1	75	80.50	66

Isolation Hospital (23—\$2,415)

General Clerk-Typist (part-time).....	1	50	79.50	354
Institutional Help (B. R. & L.).....	20 (est.)			1,875
Porter (B. R. & L.).....	1	57.50	63	66
Head Nurse (B. R. & L.).....	1	100	110	120

San Francisco Hospital (515—\$50,086)

Clerk-Stenographers (part-time).....	12	67	79.50	1,800
Telephone Operator	2	125	140	360
Watchman	2	110	145	840
Institutional Help (B. R. & L.).....	400 (est.)			37,090
Senior Orderly (B. R. & L.).....	1	75	80.50	66
House Mother (B. R. & L.).....	1	60	65.50	66
Flatiron Worker	14	85	90	840
Laundress	5	98	100	120
Laundress	4	94	100	288
Laundress	1	93	100	84
Laundress	7	92	100	672
Starcher	1	118	130	144
Sorter	1	127	130	36
Marker and Distributor.....	1	127	130	36
Washer	2	129.50	135	132
Head Washer	1	152.50	155	30
Porter—Sub-Foreman (B. R. & L.).....	1	60	70	120
Porter—Foreman (B. R. & L.).....	1	60	78	216
Head Porter (B. R. & L.).....	1	90	105	180
Laborer (B. R. & L.).....	1	60	65.50	66

Table IV—(Continued)

Department and Position	No.	Former Rate	New Rate	Total Annual Increase
Resident Physician	1	175	200	300
Head Nurses (B. R. & L.)	33	100	110	3,960
Head Nurses	1	135	145	120
Operating Room Nurses (B. R. & L.)	8	100	110	960
Head Nurse, Obstetrical (B. R. & L.)	1	115	125	120
Head Nurse, Pediatrics (B. R. & L.)	1	115	125	120
Head Nurse, Psychiatric (B. R. & L.)	1	115	125	120
Jr. Social Serv. Investigator	1	150	160	120
Jr. Social Serv. Investigator	1	140	150	120
Social Service Investigator	1	180	190	120
Social Service Investigator	2	180	190	240
Social Service Investigator	1	140	150	120
Social Service Investigator	1	165	175	120
Social Service Investigator	1	180	190	120
Social Service Investigator	1	165	175	120
Social Service Investigator	1	215	225	120
<i>Emergency Hospitals (2—\$240)</i>				
Ambulance Driver	1	185	195	120
Ambulance Driver	1	175	185	120
<i>Hassler Health Home (31—\$3,441)</i>				
Telephone Operator (B. R. & L.)	1	60	105	540
Watchman (B. R. & L.)	1	60	65.50	66
Cook	2	150	165	360
Junior Chef	1	170	182.50	150
Institutional Help (B. R. & L.)	20 (est.)			1,875
Orderly (B. R. & L.)	2	65	70.50	132
Seamstress (B. R. & L.)	1	65	70.50	66
Gardener (B. R. & L.)	1	65	70.50	66
Head Nurse (B. R. & L.)	1	100	110	120
Orderly (B. R. & L.)	1	57.50	63	66
<i>County Welfare (12—\$2,700)</i>				
Senior Clerk	1	185	200	180
General Clerk-Stenographer	1	160	175	180
General Clerk-Stenographer	1	150	160	120
Jr. Soc. Serv. Investigators	3	150	165	540
Jr. Soc. Serv. Investigators	1	150	155	60
Social Service Investigators	4	150	180	1,440
Sr. Social Service Investigator	1	200	215	180
<i>Coroner (1—\$180)</i>				
Coroner's Investigator	1	200	215	180
<i>Controller (31—\$7,380)</i>				
Bookkeeper	3	175	180	180
Senior Bookkeeper	1	200	225	300
Senior Bookkeeper	2	200	210	240
Senior Bookkeeper	1	190	210	240
Senior Bookkeeper	4	190	200	480
Asst. Supv. Disbursements	1	225	240	180
Supervisor of Disbursements	1	250	275	300
Accountant	1	210	225	180
Chief Asst. Controller	1	575	625	600
Supv. General Audits	1	325	400	900
Supv. Utilities Audits	1	325	400	900
Supv. Payroll Audits	1	310	325	180
General Clerk	1	155	175	240
Senior Clerk (6 mos. @ \$200)	1	185	210	240
(6 mos. @ \$210)				

Table IV—(Continued)

Department and Position	No.	Former Rate	New Rate	Total Annual Increase
Head Clerk	1	225	240	180
Head Clerk	1	210	225	180
Payroll Machine Operator.....	1	165	175	120
Payroll Machine Operator.....	1	155	165	120
Tab. Mach. Key Punch Operator.....	1	155	175	240
Bookkeeping Machine Operator.....	1	165	175	120
Sr. Bookkeeping Machine Operator.....	1	165	185	240
General Clerk-Stenographer	1	155	175	240
Confidential Secretary	1	225	250	300
General Clerk-Typist	2	155	175	480
<i>Public Utilities Commission (3—\$540)</i>				
General Clerk-Stenographer	1	150	165	180
General Clerk-Stenographer	1	150	155	60
Special Chauffeur	1	200	225	300
<i>Engineering (5—as needed)</i>				
Senior Engineer Designer.....	1	250	275	.....
Senior C. E. Draftsman.....	1	250	275	.....
Mechanical Engineer	1	265	300	.....
Electrical Engineer Inspector.....	2	225	235	.....
<i>Airport (3—\$960)</i>				
Meteorologist	1	150	200	600
Assistant Superintendent (Appointed during 1936-7 @ \$200).....	1	200	225	300
General Clerk-Stenographer	1	150	155	60
<i>Municipal Railway (56—\$3,480)</i>				
General Clerk	3	150	155	180
General Clerk	1	150	165	180
Laborers	4	5.80 d.	6.00 d.	240
Trackmen	46	5.80 d.	6.00 d.	2,760
Switch Repairer	2	5.80 d.	6.00 d.	120
(Now classified as Trackmen)				
<i>Water Department (54—\$5,220)</i>				
Office Assistant	1	75	85	120
Senior Clerk	1	180	200	240
General Clerk-Stenographer	1	150	160	120
General Clerk-Stenographer	4	150	155	240
Water Purification Engineer.....	1	175	200	300
Water Purification Engineer.....	1	175	180	60
Janitor	1	145	155	120
Office Assistant (Water Sales).....	1	85	95	120
Office Assistant (Water Sales).....	1	75	85	120
Senior Clerk	1	180	190	120
Chief Meter Inspector.....	1	200	215	180
Meter Readers	7	150	155	420
General Clerk (Consumers Accts.).....	1	150	175	300
General Clerk (Consumers Accts.).....	7	150	155	420
General Clerk Typist (Consumers Accts.).....	5	150	155	300
General Clerks (Collections).....	6	150	165	1,080
General Clerks (Collections).....	8	150	155	480
General Clerk Typist.....	2	150	155	120
General Clerk Typist.....	1	150	155	60
General Clerk Typist.....	1	150	165	180
Gardener	1	135	145	120
General Clerk-Steno. (Millbrae Station).....	1	150	155	60

Table IV—(Continued)

Department and Position	No.	Former Rate	New Rate	Total Annual Increase
<i>Hetch Hetchy Power Division (4—\$420)</i>				
General Clerk Typist	1	150	155	60
Janitor	1	120	130	120
Superintendent Power House.....	1	250	260	120
Junior Electrical Engineer.....	1	150	160	120
<i>Hetch Hetchy Water Supply (2—\$240)</i>				
Reservoir Keeper	1	150	160	120
Reservoir Keeper	1	135	145	120
<i>Civil Service Commission (8—\$2,460)</i>				
General Clerk	3	165	175	360
Civil Service Examiner.....	1	300	350	600
Civil Service Examiner.....	1	250	275	300
Civil Service Examiner.....	1	225	250	300
Asst. Personnel Expert.....	1	300	350	600
Asst. Personnel Expert.....	1	200	225	300
(Budget 1936-37 shows \$250)				
<i>Retirement System (5—\$660)</i>				
Comptometer Operator	1	155	165	120
General Clerk-Stenographer	2	155	165	240
General Clerk-Stenographer	1	150	165	180
General Clerk-Stenographer	1	150	160	120
TOTALS.....	1,631			\$208,869

Reclassifications Resulting in Salary Increases

(*No Salary Increase Involved)

Dept.	Former Title	New Title	No.	Former Rate	New Rate	Total Annual Increase
<i>Board of Supervisors</i>						
	Sergeant at Arms.....	Sergeant at Arms- Investigator	1	\$200	\$225	\$300
<i>Assessor</i>						
	*General Clerk.....	Director of Service.....	1	250	250	.....
	R. E. Appraiser.....	Chief Land Appraiser.....	1	250	330	960
	R. E. Appraiser.....	Supv. Land Appraiser.....	1	250	300	600
	Improve. Appraiser.....	Supv. Bldg. Appraiser.....	3	250	300	1,800
	Improve. Appraiser.....	Supv. Bldg. Appraiser.....	1	200	300	1,200
	Sr. Improve. Appr.....	Chief Bldg. Appraiser.....	1	300	330	360
	Head Clerk.....	Supv. P. P. Appraiser.....	1	250	300	600
	Pers. Prop. Appraiser.....	Supv. P. P. Appraiser.....	3	250	300	1,800
	Pers. Prop. Appraiser.....	Supv. P. P. Appraiser.....	1	225	300	900
	Sr. Pers. Prop. Appr.....	Chief Pers. Prop. Appr.....	1	300	330	360
<i>District Attorney</i>						
	General Clerk-Steno...	Sr. Attorney, Criminal.....	1	175	225	600
<i>Sheriff</i>						
	Bailiff	Detention Hosp. Bailiff.....	1	197	220	276
<i>Legion of Honor</i>						
	Janitor's Assistant.....	Asst. Mechanic	1	125	140	180
<i>County Clerk</i>						
	Criminal Law Clerk....	Sr. Criminal Law Clerk....	1	200	220	240
	General Clerk.....	Central Cashier	1	200	220	240
	General Clerk-Typist..	Chief Mar. Lic. Clerk.....	1	200	220	240
<i>Department of Public Works (Sewage Pumping Station)</i>						
	Pumping Sta. Att.....	Head Pump Operator.....	1	180	200	240
<i>Department of Public Health</i>						
<i>Central Office</i>						
	Food and Rest.					
	Inspectors	Asst. Chief Food Insp.....	4	200	225	1,200
<i>San Francisco Hospital</i>						
	Field Nurse.....	Social Service Investg.....	1	165	175	120
<i>Airport</i>						
	Meteorological Comp...	Control Tower Operator..	1	150	165	180
	Airport Attendant.....	Control Tower Operator..	3	150	165	540
	Airport Attendant.....	Crew Chief	3	150	160	360
<i>Water Department</i>						
	*Senior Clerk.....	Sup. Service and Supply....	1	225	225	.....
	*Senior Clerk.....	Chief Adjuster (Consumers Accts.)	1	225	225	.....
	Gardener	Head Gardener	1	135	150	180
<i>Hetch Hetchy Water Supply</i>						
	Accountant	Senior Accountant	1	250	275	300
			35			\$13,776
Total, Excl. Schools			1,666			\$222,645
School Department			1,062			\$108,244
TOTAL			2,728			\$330,889

RETURN POSTAGE GUARANTEED

Sec. 435½ P. L. & R.

U. S. POSTAGE

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San Francisco, Calif.

Permit No. 879

Main Library,

Civic Center,

San Francisco, Calif.

The City

A Publication Devoted to the Promotion and Application of Scientific Principles of Government

Vol. XVII

JULY 7, 1937

No. 3

Police Department Survey Report

Foreword

Summary of Recommendations and Effect Thereof

Development of Survey

Summary of Survey and Report

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San Francisco Bureau of Governmental Research

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"An incorporated non-partisan citizens' agency to study public business, cooperate with officials and specifically work for economy and efficiency in municipal affairs."

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Foreword

July 7, 1937.

The survey report dealing with the San Francisco Police Department was submitted to the Mayor and released to the press on January 9th, last. At that time, it was understood that this was to be printed by the City and made available to the public. That has not been done, and probably will not be done. The Trustees of the Bureau believe that publication and distribution of the report is desirable in the public interest. Also, that by its publication, the adoption and installation of all of the recommendations in the report will be expedited. Accordingly, they have authorized the printing of the report in this issue of "The City."

The report proposes that all of its recommendations be made effective by February, 1938.

Some of the recommendations have already been carried out. The central complaint room, centralizing telephone, teletype and radio communication under the Chief—which was in course of construction during the survey—has been placed in operation. At the March election the voters approved a charter amendment the main feature of which was the creation of five new key posts under the Chief, for the purpose of correcting the poor organization structure of the Department and to provide for more adequate and efficient operation. Appointments have been made to these positions and start has been made on the proper functioning of the new units.

Of the seven district stations recommended to be closed, only three have been closed to date. Funds were not made available until late in June, to change over police call-box ring-ins, from the former 14 district stations to two central points—Mission and Ellis-Polk stations.

As of July 1st, provision has been made for the return to police duty of some of the officers assigned to special details out of the Department, and for the substitution of civilian employees on the work formerly handled by such police officers. A system of regular transfers of commissioned officers has been inaugurated.

There is every indication that the Chief's position as executive head of the Department has been materially strengthened.

Various other recommended changes have been made. However, an accelerated pace in installing the recommendations as a whole would be of benefit to the Department, and should help in the restoration of public confidence that has been shaken by the disclosures of the Atherton investigation.

The survey and report dealt only with the structural organization of the Department, and the general and more important elements of method and procedure. Time and funds did not permit of detailed study and analysis of the forces assigned to and methods of operation used by the many individual units and details within the Department. The report recommends that this be one of the continuing duties assigned by the Chief to the Deputy Chief. The survey group was of the opinion that such continuing internal research

activity would develop many additional improvements, economies and efficiencies in the operation of the Department.

The Bureau will keep in touch with the program of putting into effect the recommendations of the report, and to this end will co-operate in every way with the Police Department and Civil Service Commission officials.

It is planned to issue, in the Fall, a report outlining in detail the progress then made by the Department in carrying out the recommended changes and improvements.

Summary of Recommendations and Effect Thereof

(Official release to the press on January 9, 1937)

The recommendations included in this report, which have been discussed in detail with police officials and accepted by them with only one or two exceptions, will, when made effective, accomplish the following:

1. Retain the Police Commission.
2. Transfer to the Chief of Police such administrative duties as are now handled by the Police Commission.
3. Establish a more vigorous disciplinary policy on the part of the Police Commission.
4. Replace the present extremely decentralized organization by an adequate organization structure—involving the proper grouping of units and the creation of five additional major administrative posts under the Chief for the supervision of such units—whereby the Chief of Police as the executive head of the Department can effectively discharge his duties and responsibilities.
5. Establish a modern communications, reporting and recording system for the Department as a whole and within the various divisions and sections of the Department by means of which police executives can more adequately handle their assignments and insure a higher degree of efficiency throughout the Department.
6. Provide additional police protection for the City.
7. Release for active police duty the services of police officers of various ranks, which are now absorbed in district supervision or station duty, by the elimination of small companies and the consolidation of 14 districts and stations into seven, and by centralizing the receipt of police call-box ring-ins at two points instead of the present 14.
8. Create additional man-power within the present strength of the force by curtailing overtime allowances for extra police activities, by the more effective audit of claims for overtime and by assigning clerks and other civilians to various duties now performed by members of the uniformed force.
9. Establish an adequate personnel division for the character investigation of recruits, for investigating all charges against members of the Department, for supervising the allowance of sick-leaves and the assignment of

"light-duty" men, for the conduct of a modern police school for training recruits and for handling "refresher" courses.

10. Release, as per above, about 180 police officers of various ranks for active police duty—some immediately and others in the future. This will create a temporary surplus but with a policy of not filling vacancies for three or four years, these can be absorbed into active police duty as and when additional police patrol or traffic service is required.

11. Reduce maximum age limit for appointment, now 35, to 30 years, and increase probationary period, now six months, to one year.

12. Revise and modernize civil service examination procedure and system of credits for examinations for the police service.

13. Establish a formal training period of not less than three months for recruits during which they will not be assigned to police duty, and during which they will be paid at the rate of \$150 per month.

14. Eliminate rank of corporal, designate existing corporals as sergeants, and provide that those on the existing eligible list for appointment as corporal be eligible for appointment as sergeant.

15. Transfer district captains more frequently, on a regular schedule to be adopted.

16. Establish procedure for removal of inspectors, on filing of charges and trial and hearing before the Police Commission.

17. Establish an accident investigation squad in the Traffic Bureau and provide for a complete record of traffic accidents.

18. Eliminate various unnecessary indexing and recopying work in various units of the Department.

19. Return most of the officers now on special detail for services outside the Department as rapidly as additional men for active police service are required.

20. Effect an ultimate annual reduction in police costs of over \$300,000 per year, part of which will be applied to an increase in the degree of police protection afforded to the people of the City.

21. Render unnecessary the filling of existing vacancies, representing a saving in personnel costs of about \$37,000 a year.

22. Release land and buildings valued at \$265,000 for sale or for other City purposes.

23. Require an additional expenditure for communication service and equipment during the next fiscal year, which will probably be more than offset by decreased personnel costs if vacancies occurring on resignation, retirement or death are not filled.

SUMMARY OF SURVEY AND REPORT ON THE SAN FRANCISCO POLICE DEPARTMENT

Development of Survey

January 4, 1937.

The matter of a survey of the San Francisco Police Department, for the purpose of developing any desirable improvements in organization and procedure, has been under consideration for some time.

On August 16, 1936, the Police Commission requested the Honorable Angelo J. Rossi, Mayor, to arrange for such a survey on a nation-wide basis. This request was approved by the Mayor, who designated Leonard S. Leavy, Controller, as in charge of the survey and requested the Civil Service Commission and the Police Commission, respectively, to assign William L. Henderson, Personnel Expert of the Civil Service Commission, and Captain Charles Skelly, Secretary of the Police Commission and Chief Clerk, for the purpose of surveying police organization and administration in various eastern cities.

The San Francisco Chamber of Commerce offered to arrange to bring to the survey group as a consultant member, Bruce Smith of the Institute of Public Administration, New York City, a nationally recognized authority on police administration, and the San Francisco Bureau of Governmental Research also offered to join with city officials and Bruce Smith in making the survey. On September 3, 1936, Mayor Rossi and Controller Leavy, as head of the survey group, accepted both of these offers.

During the period September 5th to October 3rd, Messrs. Henderson and Skelly covered the organization and procedure of police departments in Chicago, New York, Boston and Detroit. Carl Peterson, accountant in the Controller's office, was assigned to accumulate various statistical material relative to the local department. On September 10th, survey of the local department was started by Thomas Toomey of the Civil Service Commission and William H. Nanry and Charles C. DeWolf of the Bureau of Governmental Research.

On September 28th, Bruce Smith arrived in San Francisco for a one-week preliminary survey of the local department, to review the survey material at hand and to assist in outlining the scope of the local survey. When practically all of the necessary local survey material had been gathered, Mr. Smith returned to San Francisco on November 11th and remained here until a review of the survey material resulted in agreement of the survey group on specific recommendations. These were presented orally, at extensive hearings on December 2nd, 3rd and 4th, to President Roche of the Police Commission, Chief of Police Quinn and Captain Skelly, and with minor exceptions were accepted by those police officials. They were likewise presented to the Mayor who, due to pressure of other business, was unable to attend all meetings.

A first draft of this report was prepared on December 5th. After editorial revisions and additions by the survey group and unavoidable delays due to the time required to communicate and clear these with Mr. Smith in New York, this was again discussed on December 18th and December 31st with the above-mentioned police officials, and as outlined in the following has their approval, except as otherwise noted.

Amendments to the charter will be necessary to make effective certain of the recommendations. However, many of these can be carried into effect without charter change. As a matter of fact, some changes suggested by data collected from Eastern cities, report on which has heretofore been presented, have already been made by the Police Department.

During the entire course of the survey, the fullest co-operation was extended by every police official and officer from whom information was requested. No attempt was made by anyone to dictate the course of the survey and the recommendations of this report have not been influenced other than by the facts developed by the survey group.

Summary of Survey and Report

January 4, 1937.

During the past three months we have been engaged in a survey of the San Francisco Police Department. Our purpose has been to examine the administration and functioning of the Department in all of its details, and to provide a basis for more effective police service in this city.

At all stages of the work the members of the Police Commission, the Chief of Police and the officers of the police force generally have made freely available all information which we have required. Thus it has been possible to conduct a thorough inquiry with the full co-operation of the force itself.

A formal report, including all factual material, will be prepared and submitted at a later date. Pending its completion this summary report is issued. In this general report of the results of our work, many recommendations are submitted. All such recommendations are important in the sense that they have a direct bearing upon the functioning of the police establishment. They are not, however, of equal importance nor of equal complexity and difficulty. We have therefore selected several outstanding problems with which the Police Department is confronted for special mention and discussion, and will then append a supplementary list of recommendations.

All of the varied matters appearing in this report have been extensively discussed with the President of the Board of Police Commissioners, the Chief of Police and the Secretary of the Police Commission and Chief Clerk. Some of the major matters were discussed in detail with the Mayor and oral report was made to him on all other matters. All of the recommendations have been approved, except as otherwise noted in this summary, by these appropriate officials of the city government and as to such items we have been assured that they will be put into full operation and effect as rapidly as may be.

Major Proposals

The outstanding problems facing the Police Department relate to the ways and means provided for its general control; the structural organization of the force itself; the adequacy of the protective facilities now available, particularly in the outlying portions of the city; the procedures followed in securing immediate response to criminal complaints through the co-ordination of telephone, radio and teletype communication; and the effectiveness of the control exercised over a multitude of criminal investigations, both major and minor. We shall discuss these in order.

The method employed for exercising general control over police service in San Francisco revolves around the appointment of a police commission of three members, each appointed by the Mayor for a term of four years, in accordance with an arrangement which assures that the terms of no two commissioners shall expire in the same year. The members of the Commission may be removed by the Mayor, on written notice stating the reasons for removal. To the Commission is entrusted the general management of the Police Department and the exercise of full disciplinary power. In the execution of these powers and the discharge of these duties, the Commission normally acts through the medium of the Chief of Police, who is appointed by the Commission and holds office at its pleasure.

The device thus established by the City charter for police control in San Francisco has been in operation here in substantially the same form for decades. It is part and parcel of a system which was once almost universal in American cities. In all of our other large cities, however, with the exception of Los Angeles, St. Louis and Milwaukee, board control of police administration has been abandoned. Two factors operated to bring about this change. It came to be recognized that board control of police administration constituted amateur, part-time, and in many cases, political management. An added consideration was that board control sometimes was responsible for a heavy turnover in the office of the Chief of Police, thus depriving these various police departments of the very element of full-time, technically-trained police management, which the boards, by their nature, were unable to provide themselves. Viewing the San Francisco situation against this general background of experience elsewhere, it is apparent that board control in San Francisco has upon occasion produced substantially the same situation as was created in these other cities. During the course of the survey, we had no evidence of political domination of the Commission, and are advised that there has been none during the last twenty-five years.

With respect to the influence which the police commissioners have had upon tenure for the Chief of Police, the situation is favorable. During all the decades leading up to 1911, the turnover in the office of the Chief of Police was sometimes so rapid as to be chaotic; but since that date continuity of tenure has been the established rule. The fact that San Francisco has had only two mayors during this period quite possibly may have exerted some influence

in producing continuity of tenure for the Chief of Police. The weight of such considerations is of course uncertain, but there is no avoiding the fact that the principle of continuous tenure for the Chief of Police has become quite firmly embedded in the traditions of this City during the past generation and that this tradition, if observed in the future as in the past, will contribute greatly to the steady improvement of police service here.

Viewing all factors together, we are of the opinion that continuous tenure for the Chief of Police during effective service should be a controlling consideration and that in the light of past experience in San Francisco, the otherwise strong case against board control of police management is materially weakened. We therefore conclude that there is no immediate need for abolishing the Police Commission if the recommendations of this report for definite changes in organization and procedure are made effective. The position of the Chief of Police as the executive head of the Department should be materially strengthened and vigorously upheld by the Police Commission. If this is not accomplished, our conclusion would be subject to revision in the future.

Thus our conclusion is a qualified one. We are convinced that a more vigorous discipline must be applied by the Police Commission, year in and year out, if the Police Department is to be purged of its occasional inefficient or undesirable members. A vigorous discipline which places public considerations above a personal and sentimental concern with the welfare of individuals is a fundamental requirement of successful police administration everywhere. San Francisco offers no exception to this general rule. Yet an examination of the record of disciplinary trials for the past seven years discloses numerous cases in which the Police Commission has repeatedly exhorted, or reprimanded persistent offenders, or imposed various minor penalties, but has obviously been reluctant to apply necessary punitive measures. Under such circumstances superior officers eventually desist from bringing charges against the members of their commands, with results disastrous to the Department. During the six-year period, 1930-1935, only eight dismissals from the Department were ordered by the Police Commission. We believe that the Police Commission must pursue a more vigorous disciplinary policy than in the past.

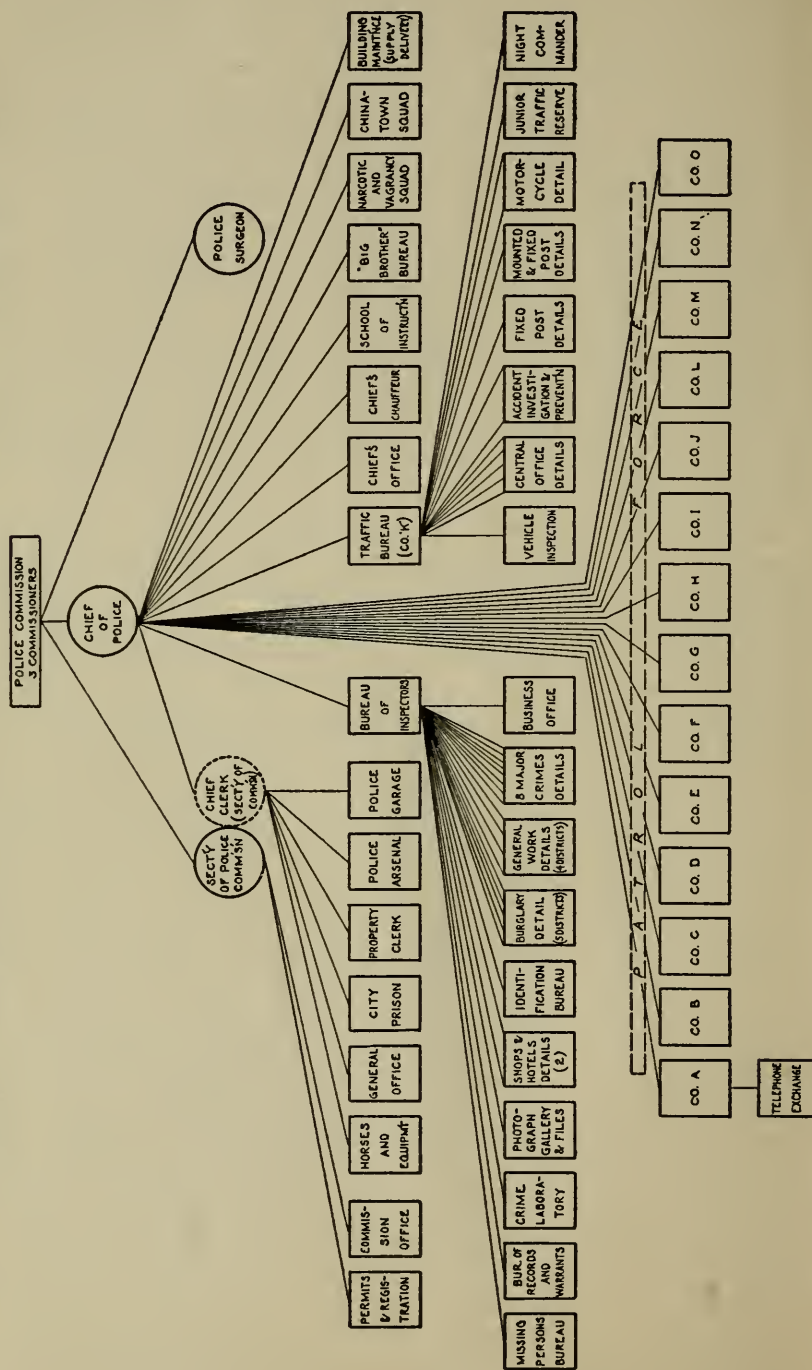
We also consider it to be a matter of first importance that the Police Commission shall forthwith convey to the Chief of Police those executive powers which the present city charter contemplates he should have. Prominent in the latter category is the power to make appointments and promotions under civil service regulations, to order all transfers and assignments within his own administrative discretion, and to issue permits and licenses authorized to be issued by the Police Department. Relative to the latter, police officials have some reservations as to that type of permit involving a question of broad public policy.

The structural organization of the police force constitutes a second major consideration. It presents a striking example of extreme decentralization. Furthermore, intimately-related activities are distributed among units which have

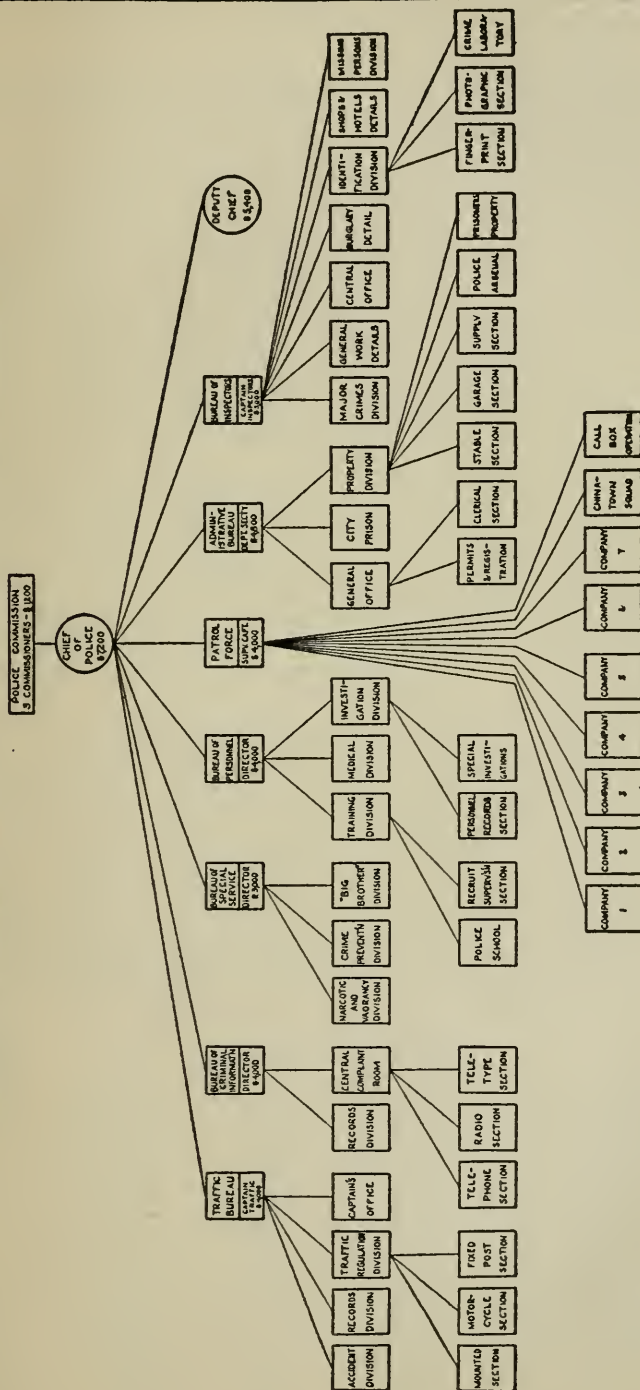
no relation to each other. As typical of this diffusion of administrative responsibility, the following deserve special mention. Responsibility for the operation of the signal service is distributed between Company "A" and the Bureau of Inspectors (changed by General Order as of December 8th); the handling of crime records is distributed between the general office, the property clerk and the Bureau of Inspectors; and personnel management is distributed among the police surgeon, the headquarters company, the Commission's office and the School of Instruction. Thus there is no attempt to co-ordinate these and other services except as it is possible for the Chief of Police to co-ordinate them. The Chief of Police, however, exercises only an ill-defined and uncertain responsibility for such matters at the present time. Even though this responsibility were clear and precise, it would be impossible for him to discharge it effectively, because the scheme of organization is so diffuse that he has twenty-four separate and distinct units directly accountable to him. Similarly, the Captain of Inspectors, who, in a formal sense at least, is a subordinate of the Chief of Police, has twenty-five units directly responsible to him and the Captain of Traffic has fourteen.

In other words, the whole scheme of organization in the Police Department is so loose and uncertain as to make actual supervision and control impossible. If this situation is to be corrected it will be necessary to group related activities into major units, to place each of these major units under responsible direction and control, and in turn to make the supervisors of such major units solely and directly responsible to the Chief of Police. In the furtherance of this end we have prepared a plan of structural reorganization which substitutes eight direct lines of responsibility for the twenty-four now existing. The plan contemplates that there shall be one general supervisor for the otherwise unco-ordinated patrol forces distributed throughout the police districts and the Chinatown detail; that the Bureau of Inspectors and the Bureau of Traffic shall continue as major units, each under a single command, but with their functions limited to criminal investigation and traffic control, respectively, and to these functions alone; that there shall be a Bureau of Personnel, under a director, which shall be responsible for the multifarious activities involved in investigating complaints against police officers, the character investigation of prospective recruits, medical supervision, systematic police training, and the assignment to light duty of men temporarily or permanently disabled; that there shall be a Bureau of Criminal Information, under a director, for the purpose of effecting essential co-ordination between police signal facilities and a central division of crime records; that the general administrative, accounting, property management and secretarial functions of the Police Department and direction of the City Prison shall be supervised by a department secretary, who shall act also as secretary to the Commission; that certain highly-specialized headquarters squads shall be grouped into a special service bureau under a director for appropriate immediate supervision; and that the post of deputy chief of police shall be created with any necessary and appro-

PRESENT ORGANIZATION OF THE SAN FRANCISCO POLICE DEPARTMENT



PROPOSED REORGANIZATION OF THE SAN FRANCISCO POLICE DEPARTMENT



prate staff assistance, to have no fixed administrative duties but to act as general assistant to the Chief and to handle such matters as may be assigned by the Chief of Police.

A graphic comparison of the present and proposed schemes of structural organization is afforded by the charts which are appended to this summary. (See pages 62 and 63.)

The Chief of Police has suggested that, in addition to the supervisory positions herein recommended, provision be made for two night deputies to be in general charge, under his direction, of all police activities during each of the two night watches. A majority of the survey group could see no necessity for these two positions under the improved organization plan herein proposed.

A third major consideration relates to the protective facilities now extended by the Police Department. Protection of life and property is the fundamental duty of any police department—a duty which is primarily discharged through the medium of uniformed patrols. It is apparent that, measured by prevailing standards in this country, the San Francisco Police Department is not undermanned, and that the changes herein recommended, if adopted, will provide a surplus in personnel that should be absorbed as vacancies occur. There is immediate need for more radio patrol cars in the extensive outlying districts of the city to the north, west and south. The Department is also requesting additional men for traffic duty. The reorganization proposed herein will release from present duties more than enough men to furnish such necessary services.

The protective patrol strength is impaired due to the fact that an undue proportion of the patrol force is absorbed in administrative, clerical and mechanical duties at the fourteen district stations and elsewhere. Hence these men accordingly are not directly available for active duty in crime prevention and repression. The largest single factor contributing to this condition is the unnecessarily large number of district stations. Many of the stations provide a local headquarters for but a small number of patrolmen, although the overhead required to operate a station in a small district is substantially identical with that required for a large district. The following table presents the situation in brief:

Company	Station	Land Area Square Miles	Linear Miles of Streets*	1930 Population	Company Strength (Incl. Radio Patrols)
A	Central	1.28	31	79,300	99
B	Southern	1.83	34	22,500	83
C	Harbor	0.53	13	3,100	71
D	Mission	3.57	60	98,500	98
E	Ellis-Polk	1.66	41	82,700	91
F	Stanyan	1.89	33	38,200	55
G	Richmond	1.86	36	53,900	53
H	Ingleside	5.73	89	75,400	54
I	Potrero	2.18	21	10,000	35
J	North End	1.50	29	43,200	46
L	Western Addition	1.88	33	57,600	50
M	Bay View	5.00	33	25,900	39
N	Taraval	5.35	68	27,600	46
O	Golden Gate Park	7.01	32	16,500	66
TOTALS		41.27	553*	634,400	886

*Does not include 18 miles in Golden Gate Park.

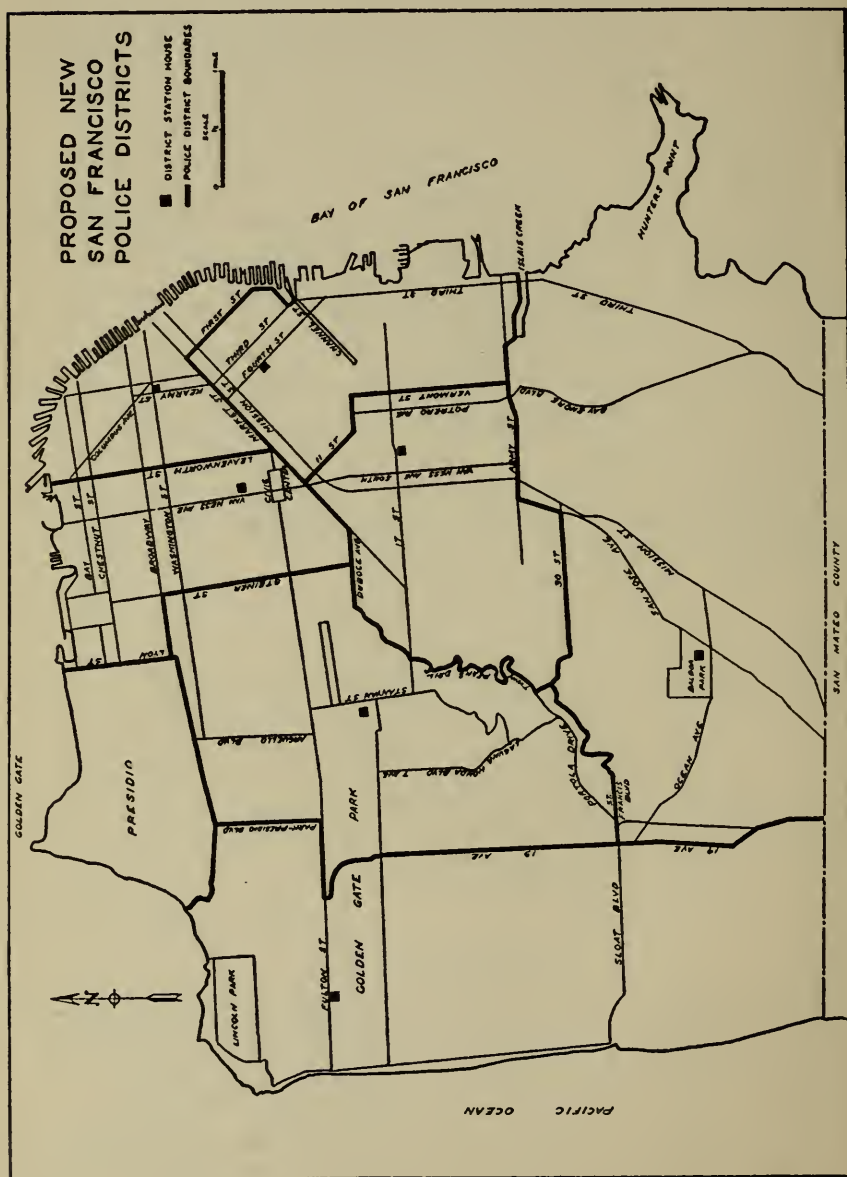
It was agreed by the directing heads of the Police Department that many of the existing districts can be greatly enlarged in extent, that the number of district stations can be accordingly reduced and essential protective patrol facilities thereby substantially increased. We propose that the police stations now serving Companies C, G, I, J, L, M and N be abandoned, and that district boundaries be realigned in accordance with the schedule below and the map accompanying this report.

Names of Principal Districts Included in Consolidated District	Approximate Boundaries and Areas of Old Districts Included in New District	1930 Population	Land Area Square Miles	Present Police Strength as Consolidated
Central-Harbor.....	A + C (no change in areas).....	82,400	1.81	170
Southern-Potrero.....	B + I..... (Area of "I" South of Islais Creek excluded; latter added to new H + M District)	31,500	3.50	118
Mission.....	D + .57 sq. mi. of "H"..... (So. of Army St. to 30th St. bet. San Jose & O'Shaughnessy Blvd.)	107,100	4.14	104
Ellis-Polk and North End.....	E + J (no change in areas).....	125,900	3.16	137
Stanyan-Western Addition.....	F + L and parts of N, G & O.... (Part of "G" east of Funston Ave. and "O" east of new blvd. Also "N" bet. 19th Ave., St. Francis Blvd. and Twin Peaks Blvd.)	125,800	6.70	141
Ingleside-Bayview....	H + M and parts of "N" and "I" (Includes 1/2 sq. mi. of "I"; excludes .57 sq. mi. on North boundary of "H" and incl. .75 sq. mi. of south part of "N.")	97,100	11.42	93
Park-Richmond- Taraval.....	O + G + N and part of "F"..... (Portions of "G" west of Fun- ston Ave. and "N" and "F" west of 19th Ave.)	64,600	10.54	123
TOTALS		634,400	41.27	886

(See map on page 66)

Supervisory and indoor assignments at discontinued stations, including call-box operators, reach a total of 66, as follows: Company C, 12; G, 11; I, 8; J, 10; L, 10; M, 7, and N, 8. Necessary replacements for time off, sick leave, etc., amount to at least 20%, or 13 men, making a total of 79.

Thus by this one expedient, 79 policemen of various ranks and grades will be released for general patrol duty and active traffic regulation. The station properties abandoned under this plan should be devoted to other governmental uses or disposed of as the need may appear. They contribute nothing to the protection of the city and indeed unnecessarily absorb manpower required for such protection.



The values of the properties as shown by the Real Estate Department are as follows:

Company	Station	Construction		Estimated Value (R. E. Department)		
		Year	Class	Land	Improvements	Total
C	Harbor	1914	C	\$ 26,887	\$ 21,680	\$ 48,567
J	North End	1913	C	7,750	19,490	27,240
L	Western Addition.....			2,500	2,500	5,000
G	Richmond	1912	C	30,000	23,355	53,355
N	Taraval.....	1929	B	18,000	71,987	89,987
I	Potrero	1915	C	15,000	12,300	27,300
M	Bay View			2,500	11,934	14,434
TOTALS				\$102,637	\$163,246	\$265,883

Police officials have expressed themselves as being in agreement with the foregoing proposal insofar as it involves the abandonment of Stations G, I, L, M and N. With respect to the abandonment of Stations C and J they desire to give the matter further study, but we are convinced that the continuation of these stations serves no substantial police purpose and results in unnecessary absorption of personnel in station duty.

Another reason for the dissipation of patrol strength is derived from the fact that the police telephone-telegraph call-boxes are connected with the district stations where a very substantial amount of man-power is employed in receiving and recording the routine "ring-ins." Regardless of the consolidation of districts discussed above, if these call-boxes were connected with one or two points instead of fourteen stations as at present, it is estimated that fourteen civilian operators could do the work now requiring fifty-three patrolmen and corporals (we include replacements in both figures)—a net reduction of thirty-nine call-box operators now engaged on inside duty at the district stations who could be released for patrol duty.

Actually, of course, if the seven district stations are closed, the man-power economies from call-box consolidations will be confined to the stations which remain—an estimated force, including replacements, of twenty-five men. If to this figure be added the 79 men released by closing seven stations, the total is 104. From this should be deducted the new divisional call-box operators, 14 civilians, giving a net over-all figure for both call-box consolidations and station abandonment, taken together, of 90 men of all ranks and grades. If stations C and J are not closed, the anticipated economies will be materially reduced.

Experience in other cities indicates that the capital outlay involved in rewiring the call-box system to permit central operation as against district operation, is offset several times by the annual cash value of the man-power economies effected. It is perfectly clear that San Francisco will prove no exception to this general rule.

A third means by which additional man-power can be made available for active police duty will consist in discontinuing overtime allowances, and also excuses from active duty, for members of the band, drum corps, and compar-

able groups while engaged in rehearsals for these several purposes. We have since been advised that orders have been issued suspending the overtime allowances for these purposes.

Additional man-power for active police duty can be made available, when needed in the future, by the transfer of police officers now engaged in clerical and other civilian units and functions, and the replacement of these by civilian employees from appropriate civil service classification. This proposal, which has been discussed with and agreed to by the police officials, will be treated in detail in our final and complete report.

We also wish to make special reference to grave weaknesses which characterized the signal system as we found it—weaknesses involving extensive but avoidable delays in the dispatch of radio patrol cars in response to citizens' complaints, a failure to provide an accurate record of criminal complaints and their disposition, and inadequate control over criminal investigations. It is unnecessary in this report to describe the various methods by which these faults can be removed, because the Police Department, partly as a result of our survey, has initiated all necessary steps to remove them. As this is written, the new central complaint room is about to begin operation and it therefore only remains for us to commend the industry and intelligence which have been applied by the Police Department in effecting this important and necessary improvement.

Our other recommendations follow:

Personnel Management

A considerable number of changes should be made in the Police Department's personnel policies. They may be grouped into three major categories: those requiring amendment of the city charter, those which require action by the Civil Service Commission to make them effective, and those which can be placed in operation by the Police Department on its own motion.

The recommendations affecting civil service regulations and practices are of prime importance, because it is the Civil Service Commission and not the Police Commission which exercises the predominating influence in determining the kind and quality of raw material from which the police force is recruited.

In the first place it is submitted that the prevailing age limits for police recruits are too broad. At the present time the recruit must be over 21 years of age and must not be over 35 years of age at time of appointment. The most unsatisfactory feature of the upper portion of this age bracket is that it permits the admission to the force of men whose most active and vigorous years are behind them. It also complicates retirement policies and tends to raise the average age of the police force at a time when police administrators everywhere are seeking to keep that average at the lowest possible level. We accordingly recommend that applicants who have reached their thirtieth birthday shall be excluded from appointment to the Police Department. This will require charter amendment.

The examinations themselves are concerned with a rudimentary knowledge of criminal law, city ordinances and local geography, among other matters. These are admittedly subjects which have a bearing upon the performance of police duty. They are not, however, matters on which the Police Department can afford to delegate the duty of instruction to outside agencies. They involve questions which require uniform curricula and training for all recruits and systematic instruction from the police viewpoint, such as is recommended in this report. In addition, the civil service examinations in these subjects do not adequately test either native intelligence or police aptitude. It is accordingly recommended that intelligence and psychological tests be substituted for them.

The probation period through which a recruit must pass immediately following his appointment constitutes a major opportunity for the Police Department to rid itself of undesirable or inadequately qualified recruits without undue formality. At the present time the probation period is for six months only. We recommend that it be extended to one year. This must be provided by charter amendment. Such extension, however, will have little meaning unless those responsible for police administration in San Francisco avail themselves of the power to dismiss during probation more frequently than they have done in the past. During the past five years only two recruits have been dropped by the Police Department during probation and it appears that even these were caused by disciplinary rather than selective considerations.

Under prevailing practices the Civil Service Commission allows extra credits for exceptional physical prowess of various kinds. This has the effect of advancing towards the top of the eligible list those applicants who possess certain highly specialized forms of muscular co-ordination, which have no direct value in day-to-day police duty and which lose any semblance of value within a very few years after examination. It is essential, of course, that the physical standard of police recruits should be high, but we submit that the interests of the Police Department will be best served if the physical examinations are in the nature of qualifying tests only, without extra credit for superiority or excellence in the respects which we have mentioned. We believe that an applicant should be required also to pass the physical examination when called up for appointment, as the time of such appointment may be several years after the date of the qualifying examination.

It is the practice of the Civil Service Commission in promotional examinations to assign heavy extra credits for length of service. The effect is to give an undue weight to prior service in the selection of superior officers. This is directly reflected in the age distribution of non-commissioned officers, lieutenants and captains. For example, it requires, on the average, a lapse of eighteen or nineteen years before a member of the Police Department can hope to move from recruit patrolman to the rank of lieutenant. This is so manifestly undesirable in narrowing the possible field from which superior officers may be secured that we urge that the heavy extra credits for length of service be

abandoned. As a counterpart to this recommendation we propose that a minimum service of two years in the next lower rank be required before a promotional examination may be taken. We recommend also that physical examinations be required as one of the tests in examinations for promotion.

During the course of the survey, we were unable to complete our examination of the value of the present system of credits in promotional examinations for merit citations awarded to individual officers. This will be dealt with in our final detailed report.

In addition to the foregoing matters, most of which lie primarily within the discretion of the Civil Service Commission, there are other personnel questions over which the Police Department has full control. Prominent in this category is the pressing need for a character investigation of recruits which would be of the most thorough nature. At the present time the matter of character investigation is referred to the police district in which the applicant resides. It follows that the investigation is rarely of an expert nature and that it cannot be inspired by the same sense of responsibility nor partake of the same degree of uniformity, which would characterize a similar investigation by a specialized headquarters unit. We accordingly recommend that such investigations in the future be conducted on a city-wide basis by officers assigned to the proposed Bureau of Personnel. To the same unit should be referred complaints made against police officers. We believe that the failure of the prevailing practice of referring such complaints to the commanding officers of the units concerned has been amply demonstrated. The proposed change to impartial investigations by a central authority will prove of great value in discharging the Police Department's responsibility for purging its own membership rolls of undesirable members. This responsibility is a continuous one; it does not arise once in a generation and then only in response to concerted popular demand.

The practical instruction now provided by the Police Department for recruits has been carefully developed and should be continued. It is clear, however, that the formal instruction in the rights, duties and liabilities of a police officer in those aspects of the criminal law, criminal procedure and local ordinances and regulations which have a direct bearing upon police duty, and in various practical arts of self-defense and the use of the weapons with which police are entrusted, is wholly inadequate and leaves much to be desired.

It is worthy of note that San Francisco is the only great city in the country which does not have an established police school, with expert police instructors, in which the recruit can be prepared for the proper exercise of the great, though sometimes informal, powers which are conferred upon him. We recommend that a police school be established for the purpose of extending such instruction; that vacancies in the force be accumulated until they are about twenty in number; that such vacancies be then filled at one time and the recruits subjected to not less than twelve weeks of intensive instruction before being placed on the streets of the city to continue their practical training; and

that during this period of formal training, when the recruit will not be performing active police duty, his compensation be fixed at \$150 per month. At the present rate of recruiting, this program will involve the operation of the police school for the training of recruits for a little more than one-half of each year. The balance of the school year should be employed in extending refresher courses to the rank and file, as well as special courses for superior officers, such as have recently been initiated by the Police Department. The President of the Police Commission has suggested that the Taraval Station, one of those proposed to be abandoned as a police station, be used as the police school.

If to this program be added a conscientious effort on the part of police school executives to eliminate from the service those recruits who demonstrate inability or unwillingness to learn during the formal training period, or who in other respects appear to be unfitted for police service, the personnel selection processes of the Civil Service Commission and the Police Department should be very greatly improved.

There is little difference between the existing ranks of corporal and sergeant in either duties or salaries. The difference in rank, however meaningless in its essentials, nevertheless causes many minor inconveniences in police management. It is recommended that the two ranks be merged and that those who are now corporals hereafter take rank and pay as sergeants. This change can be effected with entire satisfaction and justice to those who are on the eligible lists for appointment as corporal or sergeant. It will require charter amendment.

An examination of the assignment of district captains during the past ten years shows that it has been the established policy for a captain to be left in command of a district for an unduly extended period. Whether this fact has any bearing upon the situation which arose prior to the recent dismissal of several police captains we cannot say, but the lessons of police experience throughout the world indicate that a policy of regular transfer for captains and lieutenants is a desirable expedient under any circumstances.

At this point we wish to direct attention to various favorable features which are incorporated in the present practice of the Police Department. The cash rewards for meritorious and heroic service are desirable and should be continued. The illness and disability ratio of the Police Department is gratifyingly low, although with respect to this point we are inclined to believe that the practice of allowing overtime and equivalent time-off may tend artificially to reduce the man-power losses due to illness and disability. In this connection, it is recommended that the police surgeon be made subject to appointment by the Chief of Police, and assigned to the Bureau of Personnel. We are also favorably impressed with the procedure now followed in the office of the Chief Clerk in the assignment of "light-duty men" to suitable and productive work during the period of disability.

Nevertheless, after a general review of the multiform duties performed by police officers in such highly specialized and non-police activities as are repre-

sented by various clerical and secretarial employments and by assignments to the police garage, custody of property, record-keeping, photograph gallery and the like, we are impressed by the large opportunities offered for the substitution of civilian employees for uniformed police in the performance of such tasks.

We urge that immediate steps be taken to bring the regulations governing overtime allowance and the administration of such regulations under effective control. There is now no uniform system applying to all police units. Claims for overtime in some instances have been accumulated over a period of months before being filed and the whole question in general is treated as a matter of petty routine without any real audit of the claims or current control over them. This situation invites irregularities which unnecessarily drain the man-power of the Police Department. A record similar to that used in the Controller's office is recommended.

The last edition of the Rules and Regulations was issued in 1916. Being a bound volume, amendments through a general order or a printed "paste-in" slip are incorporated with difficulty. Adoption of the proposals contained in this report would affect the rules and regulations in so many respects that a new edition will be required. We recommend that it employ a compact and logical arrangement similar to that of the New York and Chicago regulations, and that it be in loose-leaf form, so that printed amendments can be cheaply prepared, and distributed to all members of the Department.

In concluding our recommendations on personnel administration, we desire to place special emphasis upon the need for a revision of that portion of Section 35 of the charter which deals with police ranks and salaries. As they now stand these provisions are so restrictive in their effect as virtually to prevent the introduction of a thorough-going reorganization of the Department such as we have recommended above. We accordingly urge that the charter be amended so as to permit a limited number of high administrative positions to carry extra compensations and to be filled without competitive examination by assignment of the Chief of Police in accordance with the provisions of Section 20 of the charter. A list of these positions, the ranks from which they should be drawn and the extra compensation which may be fixed for them is submitted as a basis for charter amendment. (A description of their functions, which has been discussed in detail with, and agreed to by, police heads, will be outlined in the final detailed report.)

Position	From What Rank	Maximum Compensation
Deputy Chief	Any	\$5,400
Director, Bureau of Special Services.....	"	3,000
Department Secretary	"	4,800
Director, Bureau of Criminal Information....	Sergeant or higher.....	4,000
Captain of Inspectors.....	Lieutenant or higher.....	5,000
Captain of Traffic.....	" " "	4,000
Director, Bureau of Personnel.....	" " "	4,000
Supervising Captain of Districts.....	Captain	4,000

Bureau of Inspectors

The Bureau of Inspectors is continued as a major unit of the Department under the command of a Captain of Inspectors, subject to appointment by the Chief of Police from those members of the Department holding the rank of lieutenant or captain at the time of such appointment. The incumbent captain was "blanketed in" to such position by the provisions of the new charter, and this status is not affected by our report. In the proposed reorganization plan the twenty-five units now directly responsible to the Captain are consolidated into seven units.

Under the provisions of the new charter there is some question as to the status of inspectors in the Bureau and the power of appointing and removing them. It is recommended that in the amendment to the charter dealing with other police measures it be provided that incumbents in the office or position of inspector be considered as appointed thereto; that future appointments to the position of inspector be by designation of the Chief of Police from among members of the Department, detailed to and actively engaged in the work of the Bureau of Inspectors for more than two years immediately preceding such designation; and that inspectors may be remanded to their former respective ranks in the Department only by action of the Police Commission after charges filed by the Chief of Police and public hearing on such charges.

There is inadequate control over minor investigations and in some classes of minor cases there is practically no investigation.

The following recommendations affecting the Bureau of Inspectors are submitted in brief generalized form, as they involve purely technical questions of police procedure which have been thoroughly discussed with the appropriate officials of the Police Department:

1. Consolidate all pawnshop reports in the Records Room and require pawnbrokers to report on individual cards provided by the Police Department and suitable for immediate filing, without the necessity for burdensome copying.
2. Transfer the teletype and radio facilities to the control of the Bureau of Criminal Information as proposed above.
3. Substitute the standard form of detectives' assignment register, as approved by the International Association of Chiefs of Police, and maintain this record in the central office of the Bureau of Inspectors for the use of the Captain of Inspectors in exercising a more complete control over investigations.
4. Provide modern equipment for the Finger Print Section. These invaluable records, accumulated at great expense over a long period of years, are now inadequately protected.
5. Revise the filing of photos classified by *modus operandi*, now duplicated in various special squads, for the purpose of improving such filing.

The new show-up room and the new arrangements for directing, supervising and controlling visits to inmates of the City Prison, have been admirably planned and executed. When the pending plans for a consolidated division of

identification are carried into effect, the Department will have thoroughly modernized facilities of this type. The equipment of the Photograph Gallery and Laboratory is far above the average and should be maintained at this level in the future.

Traffic Bureau

The Traffic Bureau is continued as a major unit under the command of a Captain of Traffic, subject to appointment by the Chief of Police from among those holding rank of lieutenant or higher at the time of appointment. The incumbent captain was "blanketed in" to such position by the provisions of the new charter and his status is not affected by our report. The reorganization plan provides for consolidation of the fourteen units now directly responsible to the Captain, into four units.

The Traffic Bureau maintains an excellent co-ordination between accident reports and spot maps, but there is insufficient follow-up and study of accident hazards at those locations where the records indicate special hazards. At the present time only the Captain of Traffic and the liaison officer concern themselves with such questions and they, of course, can do so only upon occasion. A small well-trained accident investigation squad in the proposed Accident Division of the Traffic Bureau will go far towards satisfying this immediate need. We wish to emphasize, however, that this accident investigation squad might well be started as a unit of only one man, perhaps two, possessing superior qualifications for the work and that any additions or replacements to the unit should depend entirely upon similar qualifications possessed by the added personnel.

The record of traffic accidents is quite incomplete, since accidents involving property damage under \$50 are not included in the general summaries. This practice should be discontinued at once, as it keeps the Police Department in ignorance of the actual situation.

The Junior Traffic Reserve covers all school intersections not protected by uniformed police officers. Experience in many cities has shown the value of this device and the desirability of its extension to all school crossings not too hazardous to be entrusted to immature school boys. School crossing accidents are rare under prevailing methods of control and there have been no fatalities at such crossings within recent years.

The motorcycle squad patrols straightaway beats on arterial highways and beats are continually being changed according to apparent need. All of these practices are commendable. On the other hand, we are unable to approve the policy, which we understand has recently been inaugurated, of having motorcycle officers patrol in pairs, one with radio equipment. We believe this should be discontinued.

Almost a year and a half ago the Fines Bureau was transferred to the City Hall under the general supervision of the Controller. This has resulted in a substantial increase in revenue, and the development of an improved system

for recording and analyzing traffic violations. At the time of such transfer it was understood that the police officers there assigned would be returned to general police duty as soon as they could be replaced by civilian employees. We believe that that time has arrived and that the police officers now assigned to clerical duties at the Fines Bureau in the City Hall should be replaced by clerical classifications and reassigned to active police duty, as rapidly as additional active police strength is required.

Necessary changes in State law should be proposed to give authorities greater control over violators, and end the necessity of cancelling thousands of unenforceable tags per year.

When tabulating machines are made available to the Records Division of the Police Department, the records maintained by the Fines Bureau should be co-ordinated with similar records maintained by the Police Department and the Police Department required to submit quarterly reports to the Controller.

Property Management

Elsewhere in this report we have proposed that responsibility for the general supervision of all property management in the Police Department be definitely allocated to the Department Secretary (Chief Clerk). This office already embraces nearly all of the property management functions. Current practices with respect to the care of and accounting for prisoners' property and departmental property appear to be adequate.

There is immediate need for a comprehensive system of operating and maintenance costs for motor vehicles. It is probable that maintenance costs on some of the motor vehicles now owned by the Department have reached a point where they exceed the value of the cars themselves, but no means are now available for determining when this point is reached. Fortunately, a complete cost record system has been prepared for the Police Department by the Controller's office and will shortly be installed.

Records and Reports

If the proposed Division of Records in the Bureau of Criminal Information is to satisfy all requirements and constantly produce useful data without burdensome and unnecessary detail, it will be necessary to place the Division of Records in charge of a qualified statistician. This course is strongly recommended.

Much unnecessary clerical labor can be avoided and the record system measurably improved if the present system of numerous and varied crime report forms is discontinued and the much simpler system consisting of three specialized forms (for homicides, auto thefts and all other offenses) as approved by the International Association of Chiefs of Police, is substituted. Particular attention is directed to the fact that investigation reports now carry the complete original report of the crime and attending circumstances, recopied in full detail. This will be wholly unnecessary under the proposed system.

The indexing of teletype messages in each district station represents unnecessary duplication and should be discontinued. A simple system of patrolmen's reports should be substituted for the memorandum books now carried by each patrolman. The systems employed by the New York, Chicago and Cincinnati police departments are suggested as a model. These in turn have been incorporated in the record system approved by the International Association of Chiefs of Police. It will be necessary, however, to adapt the patrolmen's reports to local requirements. Such requirements have been orally described to the appropriate officials of the Police Department.

Public examination of accident reports in the Records Bureau should be placed under adequate control as required by the provisions of Section 488 of the California Vehicle Code.

The Records Room in the Bureau of Inspectors now issues, during the day watch, permits to visit inmates of the City Prison. On the two night watches, such permits are issued by the Business Office of the Bureau of Inspectors. With the transfer of the Records Room to the Bureau of Criminal Information, it will be desirable to have the Bureau of Inspectors issue such permits throughout all three tours of duty.

The arrest records now filed in the property clerk's office should be transferred to the Records Division of the Criminal Information Bureau. The monthly and annual compilations of arrests now made are wholly useless because of the confused and almost meaningless classification employed. The Uniform Classification of Offenses is recommended for this purpose.

In general, the system of records and reports throughout the Department can be materially improved and simplified. Such improvement and simplification will result in more complete and useful information and will save manpower now absorbed in unnecessary routine.

Protective Patrols

Patrol wagon service for the City at large has already been consolidated at Companies A, B, D, and E. This appears to approach the limit of possible economies of man-power along such lines and no further consolidation is recommended. (On December 9th, and subsequent to our discussions with police officials on the recommendations in this report, one additional patrol wagon was assigned to Stanyan Station to serve the five stations in the Western Addition, Richmond and Sunset districts. Any consideration of this arrangement will have to await a further study of the log of wagon runs, and will be discussed in our final detailed report).

Radio patrol car crews do not now make regular reports over the call-box system. It is considered imperative that the former practice of regular "ring-ins" by such crews be resumed. It is our belief that with the provision, recently inaugurated, of radio-equipped cars for patrol sergeants, no drivers or extra men need be assigned to such cars in outlying non-congested areas.

The development of the two-way radio system has not progressed to the point where it can be recommended for installation in San Francisco. The

local Department has made some experimentation with this device, and should keep in close touch with developments in the Boston and Detroit two-way systems.

The expansion and contraction of the patrol force in each police district at the three periods of the day when reliefs are being effected, operates to leave the outlying portions of each district wholly unprotected by patrols of any kind for periods running as high as 15 to 20 minutes. As a means of avoiding this exaggerated effect, it is recommended that only one-half of the foot and motor patrols within a district be relieved at a given hour and that a second relief be effected one hour later.

Foot patrolmen now reach their respective beats without recourse to the radio patrol cars, and hence after considerable delay in many cases. Five-passenger cars should be substituted as sergeant-car and patrol-car replacements are made, and with such equipment this condition can be and should be obviated.

Special Details

Nineteen patrolmen and two inspectors are permanently detailed for services in other departments. Twelve of these details serve as watchmen, others as clerks, messengers, chauffeurs, etc. It is recommended that, except for police officers assigned for protective purposes to the Mayor's office and except for a situation requiring the full-time services of a police officer for the serving of citations or subpoenas, all officers on public-office details be returned to the Police Department when and as additional man-power is required for active police duty, and that the various departments to which they are now assigned be provided with such watchmen, clerical or other services as may be necessary, and authorized in their respective annual appropriations.

The Chief's Office

The means whereby the responsibility and control of the Chief of Police over the various units of the Police Department can be improved and given more definition have already been described. We wish, however, to refer particularly to the need for a deputy chief of police and to urge that this position be established as an essential device for securing active control from the Chief's office. A small staff should be assigned to work under the deputy chief, on studies and assignments necessary for the continuous improvement of the departmental methods and procedure, when the men having the necessary special qualifications can be selected or developed.

We also recommend that provision be made under the Departmental Secretary (Chief Clerk) for secretarial service for the Chief of Police, and not merely occasional stenographic service as at the present time.

In spite of the great burden of records and reports maintained by the Police Department, the end results of these reports in the form of control records available to the Chief of Police are still inadequate. The Chief should be provided with a consolidated daily report showing as of 8:00 A. M. and in summary form, the crimes committed during the preceding twenty-four hours,

the arrests effected, the distribution of the force and its effective strength, major occurrences of the preceding twenty-four hours, and the like. A similar and more extensive summary in the form of a consolidated monthly report, with comparable tables showing the net change from preceding periods, is also necessary. It is recommended that the forms approved by the International Association of Chiefs of Police be adapted for this purpose. It will then be possible to discontinue the present inadequate summaries prepared for the Chief of Police.

As now compiled, the annual report of the Police Department has little or no value. We urge that it be based hereafter upon the Guide for Preparing Annual Police Reports, published and distributed by the International Association of Chiefs of Police.

Conclusion

The foregoing recommendations constitute an extensive program of reorganization for the Police Department which will reach into some of its most detailed procedures. The President of the Police Commission and the Chief of Police have indicated to us their intention to put this program into operation. Anticipating therefore the installation of our recommendations, we wish to emphasize the fact that the machinery of police administration never stops and cannot be stopped without disastrous results. This means that the process of installation must be pursued while the machine is in motion. It follows that the Police Department should not be expected to make all of these changes at the same instant. The installation can begin immediately. There should be no delay.

To the end that the installation may be completed in the shortest period consistent with the efficient operation of the Department and the availability of funds, we recommend that the Mayor request the Chief of Police promptly to develop and submit a schedule showing the probable date by which each of the several recommendations should be carried into effect. Subsequent consultations, using such schedule as a basis, should serve to iron out difficulties that may arise from time to time and to insure the earliest possible installation of these recommendations.

Every effort should be made to complete the installation as a whole by February, 1938, as a basis for the compilation of the 1938-39 budget.

LEONARD S. LEAVY, *Controller*

City and County of San Francisco.

Designated by His Honor, Angelo J. Rossi,

Mayor, as in Charge of the Survey.

WILLIAM L. HENDERSON, *Personnel Expert*

Civil Service Commission.

WILLIAM H. NANRY, *Director*

San Francisco Bureau of Governmental Research.

Consultant: BRUCE SMITH

Institute of Public Administration, New York

The City

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No. 4

Propositions on November 2nd, 1937 Ballot

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In Memoriam



WILLIAM HENRY CROCKER, who passed away on September twenty-fifth, was one of the original Trustees of the San Francisco Bureau of Governmental Research. In 1916, he assisted Bruce Cornwall, the late James J. Fagan and the late Fred S. Moody in organizing and securing financial support for the Bureau. He took an active interest in its affairs until impaired health forced him to curtail his activities. As a Trustee he stressed the necessity and the importance of the Bureau policy of impartial fact-finding. He continued in his office as Trustee until his death.

His interest in his community and his fellow man, as evidenced by his widespread interests and his support of so many worthwhile causes and organizations, has been chronicled at length in many publications.

The Trustees of the San Francisco Bureau of Governmental Research pay this last tribute to their former associate. He was a kindly man. He took his duties of citizenship seriously. He believed that every man owed something of his time, thought, means and energy to his community.

San Francisco has lost a splendid citizen. The Bureau has lost a valued officer, one who helped to create the organization and who gave of his time and energy to its affairs, in the interest of a better community.

Propositions on the November 2nd, 1937 Ballot

Preamble—The Four Bond Issues, \$58,700,000

1. Rapid Transit Bonds, \$49,250,000.
2. Airport Bonds, \$2,850,000.
3. Health Building Bonds, \$1,600,000.
4. Sewer Bonds, \$5,000,000.
5. Referendum Against Laurel Hill Cemetery Removal Ordinance.
6. Question of Policy, re Extension of Fifth Street north across Market Street, \$2,000,000.
7. Question of Policy, re Extending Grant Avenue south to Brannan Street, \$4,700,000.
8. Initiative, Anti-Picketing Ordinance.
9. Charter Amendment—Inspection of Civil Service Examination Papers.

THE FOUR BOND ISSUES—\$58,700,000

On November 2nd the voters of San Francisco must pass upon four bond issues totalling \$58,700,000 as outlined in the following pages.

Every voter, whether property owner or not, will be affected by their passage. Therefore each voter should analyze each proposed issue carefully in order to determine whether the benefits to be derived justify the increased tax burden which will follow.

Consideration also should be given to the immediate and probable future effect of their passage upon the financial structure and condition of the city and county.

Pay-As-You-Go Principle Observed:

The Health and Airport bonds have relatively short terms, redemption beginning in the second and third years respectively, and both to be retired by annual redemptions over a ten-year period. The Sewer bonds will be redeemed in 20 years, redemption beginning in the second year after issue. Rapid Transit bonds will be redeemed over a 36-year period beginning with the sixth year after issue, when, it is estimated, construction will have been completed.

In the opinion of the Bureau, these schedules, with the exception of the Sewer bonds, represent a proper application of the pay-as-you-go principle, which first was applied in the 1933 bond issues. Prior to that time the usual life of bonds was 25 to 40 years regardless of the amount of the issue; as one example, the 1904 Golden Gate Park bonds run to 1944 although the original principal sum was only \$330,000. As a result of that policy the 1937-38 budget for debt charge (which equals 25.5 per cent of the total net budget) contains interest and redemption on many issues which should have been liquidated years ago.

Effect on Bonded Debt Leeway:

The amount of general obligation bonds (those bonds whose interest and redemption payments must be met by taxes) outstanding at any time is restricted by charter to 12 per cent of the total assessment roll.

As of July 1, 1937 the bonds outstanding and not matured aggregated \$162,955,700 (including \$547,000 of unsold 1933 Sewer bonds which will be sold soon). Of this \$110,630,000, principally water bonds, is exempt from the 12 per cent limitation, leaving \$52,325,700 within the limitation.

The 1937-38 assessment roll totals \$991,119,933, of which 12 per cent or \$118,934,392 represents the present limit on bonded debt. There is, therefore, a leeway of \$66,608,692 in the City's bonding capacity at the present time.

To and including July 1, 1943, by which time the last of the proposed bonds will have been sold, redemption of bonds subject to the 12 per cent limitation will amount to about \$24,000,000. Based upon such redemptions and the proposed schedule of sales—dates and amounts—of the new issues, and assuming an annual increase in the assessment roll which would produce an additional \$500,000 within the 12 per cent limitation each year, the City's leeway in the fiscal year 1942-43 will be about \$34,600,000.

Such leeway will reach its lowest point in 1941-42, when, on the basis of these estimates, it will approximate \$31,000,000.

During the twenty years prior to the depression period the average increase in the assessment roll for real and personal property was about \$14,000,000 per year which yielded an annual increase of about \$1,700,000 in the debt limit. During the depression period the annual increase in the assessment roll averaged \$3,500,000 and the annual increase in the debt limit averaged \$400,000. The annual increase in the debt limit for the next five years was estimated at \$500,000, as included in future debt leeway in the computation hereinabove.

City Lacks Long-Term Developmental Program:

In addition to the proposed bond issues there are many public improvements which have been advocated by officials or civic groups during the past few years, some of which undoubtedly will be brought up for consideration in the near future.

It is to be assumed that the Board of Supervisors considered the four bond issue propositions on the November ballot to be the most important among the group of projects required for the improvement or development of the City. However, in the absence of any study and consideration of all of the proposed projects, that might lead to the formulation of a long-term developmental program—an agreement on necessary projects, in the approximate order of their importance, together with a plan of financing the various projects—it does not necessarily follow that the bond issue propositions on the November ballot represent the City's most urgent needs.

A study by the Bureau, not as yet completed, of the many improvement projects that have some degree of official sanction, indicates that the total cost of these will amount to many millions of dollars. It is probable that if city officials should undertake to formulate a developmental program over a period of, say ten years, the major part of whatever program is approved and undertaken will have to be considered for bond issue financing.

The desirability of establishing such a program has been emphasized by the Bureau for a long time, and is indicated on every occasion when bond issue propositions are submitted to vote of the people.

Proposition No. 1

RAPID TRANSIT BONDS—\$49,250,000

Summary

1. The proposed \$49,250,000 rapid transit project has been developed primarily to cut down travel time to San Francisco residential districts so that this will be "in balance" with travel time via bridge interurban trains to East Bay communities. However, *present* travel time via existing surface line facilities for the great majority of local street-car riders who would use the subway is lower on the average than the reduced travel time to East Bay traffic via the bridge, during both peak and off-peak hours. Also, the East Bay commutation rate of \$6.50 per month, as compared with a five-cent fare, \$2.00 to \$2.50 per month, to San Francisco residential districts should oper-

ate—on the basis of results of various local changes in transportation charges—as a deterrent to an exodus of local residents to East Bay communities.

2. It is estimated by the Bureau that the proposed rapid transit system would serve about 31 per cent of the total street-railway traffic in San Francisco. Any reduction in travel time by the use of the system, therefore, would not apply to the great majority of local street-car riders, who would still be exposed to whatever influence there would be in the reduction in travel time to the East Bay, below present East Bay travel time.

3. It is officially stated that bond interest and redemption costs cannot be met out of the revenues of the system and must be provided annually out of taxation. This would require a tax levy in the peak year, 1942-43, of \$3,312,600, equivalent to about 41 cents in the tax rate. This would decrease at the rate of seven-tenths cent per year, to a minimum of about 17 cents in 1977-78, when the final installment of the bonds would be redeemed.

4. It is officially stated that the rapid transit system is required if San Francisco is to retain its present position and its present rate of growth; also, that it will result in a stabilization of valuations in the downtown area and produce increased valuations of local residential property. The average tax cost over the 40-year life of the bonds will approximate \$2,240,000 per year. Average increased assessed values of approximately \$55,000,000 will be required to produce annual tax revenues in an equal amount. Unless failure to provide rapid transit will result in a loss of population, cessation of natural growth and decreased property values, such an increase in the City's assessed valuation may be expected before twenty years, the midterm of the bond issue, with or without the rapid transit system, although increased assessed values may be accelerated by rapid transit. Based on real estate and improvements valuations only, the average increase for the twenty years prior to 1931 was 14.5 million dollars per year and for the six-year depression period 3.5 million dollars per year.

5. Although no estimates have been made public, it is officially stated that the revenues of the Municipal Railway, including the rapid transit system, will be sufficient to cover all operating expenses (not debt charges, referred to above). Such checks as the Bureau has been able to make indicate that this will probably result.

6. The proposed rapid transit plan would do away with much of the congestion on Market Street, or at least make more of the street available for auto traffic, in that if the Market Street subway is built, the two outer tracks from Kearny to Church Streets and the street cars traversing these would be removed. The Market Street Railway Company's tracks would remain.

7. The burden of discussion on the plan during supervisory hearings of over a year centered principally on the elements of time-saving as related to the existing congestion on Market Street. Little claim was made that congestion on Geary Street required the Geary subway unit which is included in the proposed system, and likewise little discussion was had of the situation on Mission Street or of any possible alternatives to the proposed Mission Street unit of the system. The existing surface lines would continue to operate on Mission Street, and one line would continue to operate on Geary from Market to Van Ness.

8. **The proposed subways would be used exclusively by Municipal Railway cars.** It was stated that joint use by the Market Street Railway with the Municipal Railway was considered but was abandoned because with the initial operation of a number of small units (single cars) the capacity of the Market Street subway unit will be nearly absorbed by the Municipal Railway routings that are proposed.

9. **The proposed Mission subway will tap the Mission District now served only by ten Market Street Railway Company lines.** The 12 to 14 bus lines proposed as part of the rapid transit system will partially duplicate and in some cases parallel nine street car or bus lines operated by the Company.

10. **Of the total street car traffic in San Francisco, the Market Street Railway now handles 70 per cent, the Municipal Railway 27 per cent, and the California Street Cable Railroad Company 3 per cent.** Although no official figures have been issued, the Bureau roughly estimates that the rapid transit system will handle about 26 per cent of the total traffic in the City; the proposed new bus lines about 5 per cent; other Municipal Railway lines not operating through the rapid transit system, 9 per cent; a total of 40 per cent for the Municipal Railway system. Also that this increase of 13 per cent of total traffic in the Municipal Railway load will be diverted from the present Market Street Railway load, representing a loss to the Market Street Railway system of 19 per cent of its present system load. If this loss aggravates the existing financial difficulties of the private Company, a situation may be created whereby the City would have to make additional heavy expenditures to provide satisfactory service for the 57 per cent of the total local traffic that would otherwise be handled over the system of the private Company.

11. **If the rapid transit project is soundly planned and actually required to maintain the City's position and insure its natural growth, the public use of the project may bring all the results and benefits that are claimed for it.** On the other hand, street railway usage has declined during the past decade in this and almost every other large city in the country. Between 1926 and 1936, despite population increases, electric railway traffic, including rapid transit, throughout the United States decreased 28 per cent, and East Bay traffic between 1925 and 1936 decreased 35 per cent. These decreases were influenced by fare increases as well as auto competition. In San Francisco, with no fare increases, the traffic between 1926 and 1936-37 decreased 17 per cent. It is a question whether a rapid transit system will reverse this trend and produce the developmental values that its proponents expect.

THE \$49,250,000 SUBWAY BOND PROPOSITION

The Board of Supervisors, after more than a year of discussion and hearings, has placed on the November 2nd ballot a \$49,250,000 general obligation bond issue, proposed by the Public Utilities Commission, to be applied principally to the construction of 6.5 miles of street car subways, double track, for use of the cars of the Municipal Railway system only. One and one-half miles of double track surface line, and cost of equipment for the operation of from twelve to fourteen bus lines are also included. It is stated that five years will be required to complete the proposed project. The factors of congestion on Market Street, aggravated by bridge traffic, and the necessity for speeding up street railway service, are stressed as the principal reasons for the proposed project and the bond issue required to finance its construction.

The Manager and engineers of the Public Utilities Commission hold that operation of the electric interurban trains over the San Francisco-Oakland Bay Bridge to a terminal at First and Mission Streets will upset the existing "balance" (in travel time) between local service to San Francisco residents, and the ferry-train service to East Bay residents; that this may result in the loss of as many as 100,000 San Francisco residents to East Bay cities in the next few years, and consequent loss of real estate values, prestige, leadership and future growth; and that the situation will be brought into "balance" again by the reduction in travel time to San Francisco residents by the proposed subway, and thus the outlying San Francisco residential areas will retain their existing competitive positions with residential areas across the Bay.

The Manager of Utilities has stated that revenues of the Municipal Railway, as expanded by the proposed subways and bus lines, will be insufficient to meet interest on and redemption of these bonds; therefore these costs must be provided out of annual tax levies during the life of the bonds. He has also stated that operating revenues will be sufficient to meet operating costs. No estimates of these figures have been made public.

Other Transit Proposals Considered and Discarded:

During the long series of public hearings on the subway proposal, held by the Board of Supervisors and its committees during 1936 and 1937, a number of alternative plans were submitted by various individuals and organizations. These included proposals for improvement of existing conditions without additional heavy expense, construction of elevated railways, combinations of elevated and subway structures, a two-track or a four-track subway unit on Market Street only, the use of buses for express service to supplement or supplant existing rail lines, and the unification of the Market Street Railway and Municipal Railway systems.

Under charter provisions requiring the recommendation of any such plan by the Manager of Utilities and approval by the Public Utilities Commission, all such alternative proposals were referred to and reported on by the Manager of Utilities. Each was reported as having one or more major defects, such as impracticability, inadequate provision for the relief of Market Street congestion, failure to take or land passengers near their natural destinations or failure to offer sufficient, or any, additional speed or other improvement over existing service.

In a report of May 1936 and again in a report on October 8, 1936, the Manager of Utilities outlined objections to elevated railways—primarily that, although cheaper in first cost than subways, they are detrimental to adjacent property and the street underneath; that the cost of property damage tends to bring first cost to a parity with the cost of subways; that the hills of San Francisco introduce another obstacle to elevated railway construction here; and that in New York City elevated railway construction has been abandoned and existing elevated lines are being taken down as rapidly as they can be replaced with underground construction.

In a report requested by the Board of Supervisors the Manager of Utilities held that motor buses would not provide adequate nor speedy service for heavy traffic in San Francisco, particularly during peak hours. He also stated that congestion on the downtown streets would be greatly increased by the large number of buses required, to the detriment and inconvenience of other vehicular traffic.

In a report dated July 15, 1937, dealing with the subject of Market Street Railway-Municipal Railway unification, the Manager of Utilities summarized his analysis as follows: If the Market Street Railway system were presented to the City without cost, the City would be forced to pay over \$2,000,000 out of taxes towards the operation of the system on a five-cent fare with universal transfers. If the City paid the \$24,000,000 value fixed by the Company in the recent fare increase case before the Railroad Commission, there would be an average annual increase of \$1,460,000 for 25-year 4 per cent bonds. Therefore the total cost to the taxpayers of maintaining the five-cent fare on the Market Street Railway property, granting universal transfer privileges, making up the operating deficit, rehabilitating the property and carrying the financial charges, would be \$3,518,000 a year—a sum less than the peak interest and redemption charges on the proposed rapid transit bond issue. The report concludes that the City would get a change in the name and color on the Market Street Railway cars, universal transfer privileges with an annual cost of \$400,000, but not one added foot of new track, no faster service and no traffic relief. The report further states that the Market Street Railway has already reduced its service to the minimum, precluding any savings by the City, and that careful study fails to reveal where duplicating services can be eliminated to effect economics.

Prior Consideration of Rapid Transit in San Francisco:

The first official consideration of subway construction for San Francisco is found in the Bion J. Arnold report on San Francisco transportation made in 1912. The report stated that it was too early to contemplate construction of a comprehensive subway system, but that eventually a Market Street subway should be built connecting with the Twin Peaks tunnel, with a branch through the Mission connecting into Bernal Cut, and an East Richmond branch, preferably following McAllister Street or Golden Gate Avenue and touching the Park. Other branches or extensions are suggested to follow the first-mentioned units, including a downtown cross-town line via Third, Kearny and Columbus, through Fort Mason into Harbor View. The report states "of these subways, the Market Street trunk and Mission branch will probably become the first necessity."

Later a plan for an elevated railway south of Market Street, possibly along Minna Street, continuing as an elevated line down Capp Street and connecting with a surface line through Bernal Cut, was given some consideration by the City Engineer, the late M. M. O'Shaughnessy. This plan did not reach the stage of a formal official report or much public discussion.

In 1929 the Supervisors set up an appropriation of \$25,000 in the 1929-30 annual budget for a Market Street subway survey and report. The City Engineer submitted a report in 1931 recommending a four-track subway under Market Street from First to Gough Streets, and a two-track subway under O'Farrell Street from Market to Larkin Streets, at an estimated cost of \$21,700,000. This plan provided for joint use of the subway by both the Market Street Railway and the Municipal system. The plan provided for use of the subway by the Municipal Railway lines on Market and Geary Streets, and by four of the Market Street Railway lines, Nos. 5 (McAllister), 7 (Haight), 9 (Valencia) and 17 (Haight-20th Avenue).

The report estimated that daily 81,000 passengers would leave the central business district on proposed subway lines and 51,600 on surface lines; that the saving in time to the central district passengers using subway lines (62 per cent) would average about ten minutes per trip; and that remaining surface lines would be able to speed up service from a rush hour average speed of five miles or less per hour to seven and a half or eight miles per hour. The report included a substantial presentation of data and factual material.

Development of the Current Rapid Transit Proposal:

At the request of the Public Utilities Commission the Supervisors in December 1934 appropriated \$25,000 from Municipal Railway funds "to defray the cost of a study, report, recommendation and estimates of cost thereon by the Public Utilities Commission of terminal and rapid transit facilities in San Francisco and on the Peninsula connected with the San Francisco Bay Bridge."

Under date of June 5, 1935, the Manager of Utilities submitted a report on "Preliminary plans for initial rapid transit construction in San Francisco." It was stated that this had been submitted to and approved by Robert Ridgway, former chief engineer of the New York subway system and an outstanding authority on rapid transit construction. The cost, with provision for interest during construction, was estimated as \$56,200,000.

The Public Utilities Commission retained Mr. Ridgway and Alfred Brahdy, another outstanding expert in the field of rapid transit, to pass on the Commission's plan. Their report, submitted under date of July 9, 1935, approved the preliminary plan in most of its details. The project as modified by them, was approved by the Commission and was estimated to cost \$52,700,000, including \$6,000,000 to cover interest during construction.

In the meantime, the report of June 1935 was referred to a Citizens Rapid Transit Advisory Committee, representative of all districts in the City, for study, and—after considering all other alternative plans that might be proposed by citizens or organizations—for report. The Committee was unable to agree upon a rapid transit plan, and ended its work in April 1936 by recommending that the Mayor appoint a Transit Survey Commission to

co-ordinate all available information and develop any additional information needed for solution of the transit problem as a whole.

Under date of May 29, 1936, the Manager of Utilities issued his report, together with the Ridgway-Brahdy report, proposing the \$52,700,000 rapid transit system.

Hearings by the Board of Supervisors, and committees thereof, were initiated early in June 1936. In December 1936, the Supervisors decided not to submit, at the same election, a rapid transit bond issue and a \$50,000,000 power distribution revenue bond proposition, and decided also to give right of way to the power proposition.

Under date of May 11, 1937 the Manager of Utilities submitted a revised plan calling for a bond issue of \$49,250,000—omitting \$6,000,000 for interest during construction which was included in the original estimate, and adding \$2,550,000 to provide for twelve to fourteen bus feeder lines. The amount of the bond issue on the November 2nd ballot is based on this report.

Details of Proposed Rapid Transit Project:

A description of the proposed subway routes and estimates of the cost of the proposed system are as follows:

Market Street Subway:

Fremont to Gough Street.....	1.86 miles	\$12,650,000
Tunnel, Gough to Church Street.....	0.44 miles	1,200,000
Fremont Street Subway.....	0.19 miles	2,650,000
Track, signals, electrical work, car changes, car-house and trial operation		1,400,000
Total.....	2.49 miles	\$17,900,000

Mission Street Subway and Surface Route:

11th and Market to 24th and Mission.....	1.64 miles	\$ 9,500,000
Surface Route—24th and Mission to Monterey Blvd., exclusive of right-of-way (later extended to Ocean Ave., .9 miles additional).....	1.89 miles	3,000,000
Track, signals, electrical work, cars, trial operation.....		1,700,000
Total.....	3.53 miles	\$14,200,000

Geary-Montgomery Subway:

Subway, Scott to Buchanan Street.....	0.38 miles	\$ 1,720,000
Tunnel, Buchanan to Van Ness Ave.....	0.47 miles	1,625,000
Subway, Van Ness to Kearny Street.....	1.00 miles	5,955,000
Subway, Market and Kearny to Montgomery and Columbus Avenue	0.53 miles	3,700,000
Tracks, signals, electrical work, equipment changes and trial operation		600,000
Total.....	2.38 miles	\$13,600,000

Rights of Way

.....	\$ 1,000,000
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Bus Feeder Lines

.....	2,550,000
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Total Estimated Cost.....	\$49,250,000
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The Bureau is advised that the estimates include sums adequate to provide for any necessary underpinning or maintenance of lateral support of structures along the routes of the proposed subways; also to provide for the relocation of sewers and utility sub-surface structures, including service connections thereto with all buildings along the subway routes. Under State law, a property owner is required, in case of excavation such as will be involved in the subways, to provide lateral support for his property to a depth of twelve feet. It is stated that practically all buildings with basements are so provided, and the subway constructors, going to a greater depth, will be responsible for lateral support of the properties. The Manager of Utilities states that the plans and estimates contemplate the City maintaining lateral support, even in cases where the property owner may not have so provided to the twelve foot depth, and that all property owners will be free from any expense under this head.

Underground stations would be installed at intervals averaging one-third of a mile. Those on Market Street and possibly at various other locations, would be of the mezzanine type, with a floor between the street surface and the train platform, permitting passengers to enter or leave from either side of the street and serving also as pedestrian underpasses. On the basis of stations every third of a mile, there would be eight or ten stops on the Market Street subway, whereas there are about 23 stops at present from Fremont to Church Street, the end of the proposed subway. It is a reasonable assumption, therefore, that many passengers would lose some of the potential saving in time, expected to be brought about by the subways, in walking greater distances to the stations. No information is available to indicate to what extent this would affect the estimated time saving via the subways.

Subways For Municipal Railway Only:

Information contained in the official reports indicates that the following eight lines would be operated in the subway system under present plans: The two Geary Street lines, "B" and "C", in the Geary Street subway; part of the equipment on the existing Stockton Street "F" line, in the Montgomery Street subway; the four lines on Market Street, Church "J", West Portal "K", Taraval "L", and Judah "N", in the Market Street subway; and a new Municipal Railway line to the Mission District via the Market-Mission Street subway.

The outer surface tracks on Market Street between Kearny and Church Streets, now used by Municipal Railway surface cars, would be removed; also Geary Street surface tracks, between Van Ness Avenue and Scott Streets. The Market Street Railway Company's tracks on Market and Mission Streets would remain; likewise Municipal Railway tracks on Stockton Street and on Geary Street from Market Street to Van Ness Avenue.

Use of the subway system by the Market Street Railway Company is not provided for in the proposed subway scheme. The reasons therefor are given in the report as follows: "It is proposed that the Municipal Railway operate all subway service using its present street cars in all but the Mission Street subway, which, being an extension to the Municipal Railway route mileage, will require new equipment. . . . The feasibility of permitting the Market Street Railway to use the subway under Market Street jointly with the Mu-

nicipal Railway was carefully considered and abandoned, because with the initial operation of a number of small units, (single cars) the capacity of this subway will be nearly absorbed with the (Municipal Railway) routings proposed."

Bus Feeder Lines:

In addition to the lines of the Municipal Railway expected to use the subway system, there would be a number of bus "feeder" lines in the outlying residential districts. The bond proposal includes \$2,550,000 for this purpose. The "Supplemental Rapid Transit Report" of the Manager of Utilities under date of May 11, 1937, indicates that twelve to fourteen bus lines will be added to the Municipal Railway system. Some of these would connect with street car subway lines and others would provide new or competitive service to various outlying districts. Areas proposed to be served are described, but no definite routes are specified. According to the report, "to specify definite routes would unquestionably lead to speculation in real estate and again possible disappointment of property owners and taxpayers. It is therefore my intention to indicate not routes, but service which may be given in extending the rapid transit benefits. I have selected no definite routes and have made only such studies as were necessary to permit making estimates of the cost to provide vehicles, storage and repair facilities."

From such analysis as can be made from the services proposed it would appear that these twelve to fourteen bus lines will partially duplicate and in some cases parallel nine bus or street car lines now operated by the Market Street Railway Company. The need for such duplication, and the necessity of expending a large portion of the \$2,550,000 for such purpose, was not brought out in the various reports, nor developed during the hearings.

Reasons Given for Rapid Transit Plan:

The report of the Manager of Utilities of June 1935 and May 1936, the Ridgway-Brahdy report of July 1935, and other official reports and statements, during the hearings on the rapid transit proposal, urge the necessity for subway construction on the basis that improved all-rail service to the East Bay cities over the Bay Bridge must be balanced by providing improved local service to San Francisco's outlying residential districts, or there will be a heavy movement of San Francisco residents to East Bay cities; also that traffic conditions on Market Street must be improved and traffic congestion abated.

The Manager of Utilities' report of June 1935 deals with the factor of necessity as follows: After briefly describing San Francisco's position as a metropolitan center, a manufacturing center and a center for both foreign trade and north-central California trade, it states: "San Franciscans have considered the Ferry Building and its traffic a fixture. The terminal proposed for the Transbay bridge will cause a shift of the greater part of the ferry traffic to a new location further up town and to the south of Market Street. This shift will have a marked effect as it will bring East Bay service one-quarter of a mile closer to the financial and retail districts. Direct train service will make East Bay travel more attractive through the elimination of the transfer between boat and train and because of the reduced running time. With two bridges bringing additional automobiles, congestion in the down-

town streets will increase. For these reasons it is necessary that San Francisco immediately take steps to offset the advantages given East Bay cities by faster train service, and provide for additional downtown automobile traffic." The report goes on to state that because of the arrangement of downtown streets forcing a large volume of traffic on to Market Street which cannot be handled by that street, the surface car schedules fall below four miles an hour in the rush periods, with many delays of five to fifteen minutes beyond schedule time.

The report of May 1936 maintains and elaborates on the statements made in the preliminary report of June 1935, stating that unless San Francisco improves its transportation system to meet the improved service to be rendered over the San Francisco-Oakland Bay Bridge to the East Bay cities, there may be a loss of as many as 100,000 people to the East Bay cities. It likewise states that the improved all-rail service to East Bay points will decrease the present running time by as much as twelve minutes.

The Ridgway-Brahdy report states "The unique location of San Francisco at the head of a peninsula, the peculiar topography of the 44 square miles comprising the City, which differs from that of most other American cities, a street layout antedating the era of tall buildings and automobiles, and a constantly increasing population, at present totaling about 700,000 people, to which are added about 75,000 non-residents daily entering the City, create a congestion in the business district which slows down the surface cars to such an extent that it is often possible to traverse distances faster by walking than by riding. In order that San Francisco may continue to maintain its position as a commercial and financial center, it is essential that the people be provided with local transportation facilities which will enable them to reach the business district from their homes in less time than is possible from communities beyond the city limits. The rapid transit system recommended herein will accomplish that purpose."

Summary of Benefits Claimed:

The Manager of Utilities lists under "Summary of Benefits" in the May 25, 1936 report the results expected to be attained by construction and operation of the subway system, as follows:

1. Shorten the running time between the outlying residential and downtown districts by from 15 to 20 minutes.
2. Retain present residents by keeping local travel time under that to East Bay cities via bridge trains.
3. Increase population by building up districts which have been retarded by slow transportation.
4. Increase value of local residential property.
5. Prevent decentralization of business and stabilize downtown real estate values.
6. Remove two outer (Municipal Railway) car tracks on Market Street between Kearny and Church Streets.
7. Improve vehicular traffic flow down town.

8. Furnish direct transportation to and from the financial district.
9. Provide fast and convenient service to Bay Bridge terminal.
10. Create nucleus of extended rapid transit system.
11. Build initial links for improved service to Peninsula communities.

Other Factors That Must Be Considered:

Other factors not brought out by the various official reports nor at the extensive hearings on the rapid transit proposal are discussed in the following pages.

In nearly all of the public discussions of the subway plan, the emphasis as to the necessity therefor has centered around the situation created by Market Street congestion, and the proposal to overcome this by providing another street level to speed up Municipal Railway street car service on Market Street, and to relieve surface congestion and provide a better thoroughfare for automotive traffic.

Little stress has been placed and little discussion has been had on the factors that are deemed to create a similar necessity for either the Mission or Geary-Montgomery subways. The element of expected saving in street car travel time via the proposed subways exists on these streets as on Market Street. Whether congestion on these streets is sufficient to so delay street cars as to justify subways, at an expenditure of \$27,800,000, or whether such congestion as exists might be overcome by other means was not brought out. Existing tracks and surface street car operation will be continued on Mission Street, on Stockton Street parallel to the Montgomery subway unit, and on Geary Street as far west as Van Ness Avenue. If the Geary-Montgomery and Mission subway units are included so that the plan as a whole will "create nucleus of extended rapid transit system," this was not developed during the public hearings on the subject since June 1936.

Developmental Value:

The subway proposal, no matter how desirable or necessary, if it appears to the voters to be too ambitious or too costly a plan for the community at the present time, will be laboring under a handicap that has affected many another extensive improvement project at its inception. The public is often reluctant to accept ambitious improvement plans because of the fear that such plans are beyond the community's current needs and means. To some extent this appeared to be true at the time each of the two great bridge projects was being developed. After completion, however, well-planned and fundamentally-sound improvements, projects that meet a specific need and are not too costly for the benefits they produce, often can be handled as to cost by such resulting benefits and often bring about a greater public demand than anticipated, demonstrating that such projects create public demand—the public "grows up to them." An example of this is the immediate heavy use of many of our well-planned new or revamped highways.

On the other hand, the steady decline in street railway usage during the past decade in this and almost every city in the country must be reckoned with in considering this factor as applied to the subway project. Automobile competition has been the principal cause of steadily declining street car pat-

ronage, despite increasing population. Increased rates have been another factor. Electric (including rapid transit) and bus passenger traffic throughout the United States in 1936 was 28 per cent lower than in 1926. East Bay railway passengers in 1936 showed a decrease of 35 per cent under 1925 totals. Street car passenger statistics for San Francisco, where the 5-cent fare remained, show that in 1926, the peak year, the total number of street car passengers was 360,998,000, as compared with 298,795,000 for the year ending June 30, 1937, a decrease of 17 per cent. During this period the population increased approximately 25 per cent, indicating a decline in the car riding habit of 33 per cent. Whether it will be possible for a subway system to reverse this trend and bring about increased use of street railway transportation is open to question.

Rapid Transit System Will Serve Only 31 Per Cent of Total Car-Riding Public:

The existing street railway transportation facilities of San Francisco include 96 single-track miles owned and operated by the Municipal Railway, 232 single-track miles owned and operated by the Market Street Railway, and eleven single-track miles of cable railway operated by the California Street Cable Railroad Company. Bus and trackless trolley mileage is included in the totals given for the systems. There is little interchange of transfers between the three systems—at five points where transfer agreements are in force between the Municipal and Market Street Railways, and at two points between the latter and the California Street Cable Railroad Company.

The official reports do not contain information as to the possible number or percentage of the street car riders to be benefited by the proposed rapid transit system. Because of its importance, the Bureau has attempted to develop approximations on this point; these are based on street car passenger data on existing lines.

In 1936-37 the Municipal Railway carried a total of 80,754,084 passengers, or 27 per cent of total; the Market Street Railway, 209,765,794, or 70 per cent of total; and the California Street Cable Railroad Company, 8,275,206 (in 1936), or 3 per cent of total. It is assumed by the Manager of Utilities that those subway lines which replace existing surface lines will lose a portion of their former traffic to surface lines, especially short-haul traffic to points along the subways. The real advantage of subway service, with stops one-third of a mile apart, is to outlying residential areas. Losses in short-haul local service probably will be offset by traffic diverted from the privately-owned lines, or by increases in patronage or newly-created traffic in outlying residential areas.

Six of the existing eleven Municipal Railway electric lines are proposed for full subway service. The Stockton Street "F" line is expected to divide service between the subways and the surface, probably on a 60-40 basis, according to the Manager of Utilities. For the fiscal year 1936-37, 53,330,000 passengers, about 18 per cent of the total traffic of the city, were carried by these six Municipal lines—Geary Street "B" and "C", Market Street "J", "K", "L" and "N" and 60 per cent of the Stockton Street "F" line traffic. A portion of the existing traffic on these lines will probably seek surface lines.

The proposed new Mission subway and Church Street lines will tap the Mission District now served by ten Market Street Railway Company lines, exclusive of the San Mateo No. 40 line. These include parallel lines on Valencia, Guerrero, Howard and Folsom Streets, one to two blocks on either side of Mission Street. The proposed Mission subway line may be expected to absorb a varying portion of the traffic from each of these Company lines. These serve a considerable territory beyond the route and terminus of the proposed subway line, and have a considerable traffic local to the Mission District; hence, after analysis of each line, it is estimated that not more than 30 per cent of the total annual passengers on the ten Market Street Railway lines, exclusive of the San Mateo line, would use the proposed new line.

The proportion of the total number of San Francisco street car passengers to be handled by the proposed subway system, exclusive of potential passengers from the bus feeder lines, is indicated as approximately 26 per cent under the admittedly speculative estimate prepared by the Bureau. However, the proportion of the downtown street car riders who would be handled by subways is much greater. There are 36 downtown street car lines terminating in or crossing the downtown business area, which carried a total of 214,682,000 passengers in 1936-37. The proposed subway traffic, on the basis of estimate used, would represent 36 per cent of the total number of downtown street car passengers.

Considering passengers on proposed new bus lines where any benefits to be derived from the subway lines would be indirect, possibly an additional four or five per cent of the total San Francisco car riding public might be served—a total of 31 per cent of the whole traffic, as roughly estimated by the Bureau.

Diversion of Traffic May Raise New Problems:

Should the subways be built, and the foregoing rough Bureau estimates of traffic be verified by actual operation, the diversion of traffic to the rapid transit system would create new problems. The Municipal Railway lines that would not operate through the rapid transit system now have 9 per cent of the total traffic. As estimated above, the rapid transit system and indirect connections thereto would have 31 per cent of the total traffic—a total of 40 per cent for the Municipal Railway system. The California Street Cable Railroad system, now handling 3 per cent of the total traffic, probably would not be disturbed. The Market Street Railway system, now handling 70 per cent of the traffic, would, if the Bureau estimates are approximately correct, be reduced to 57 per cent of the total traffic—a system loss of 19 per cent.

The financial straits of the latter Company are a matter of public knowledge. According to recent reports, these have not been relieved by the recent order of the Railroad Commission allowing the Company to charge two cents for each transfer issued. It is to be assumed that a 19 per cent loss in system traffic will further aggravate existing financial difficulties, especially since the loss will fall on various lines now heavily traveled. In such case the private company may be unable to continue operations or, by management under Federal bankruptcy proceedings, may be forced to materially reduce present service and institute every possible economy.

The 57 per cent of the San Francisco car riding public may, as a result, have to travel under greatly curtailed service or the City may be forced to heavy expenditures additional to those now contemplated, in order to serve this majority of the local car riders. Such heavy expense may take the form of more bonds to acquire all or selected portions of the privately-owned system; or to provide bus or trolley bus equipment for operation over routes now served by the privately-owned company. Such expense might take the form of annual tax subsidies, to defray the heavy cost of annual operating deficits, if the Company should be forced to abandon operations, and the City should take the system over without cost.

The effect of the proposed rapid transit system on the privately-owned company may now be of little public or official concern. The question of future service to the estimated 57 per cent of the total car riding public, however, is a matter that will force consideration of the problem if, as a result of rapid transit operation, the Company is unable to continue its current service.

Reduced East Bay Travel Time Outweighed by Higher Travel Cost:

An estimated average saving in travel time of 12 minutes per trip via the Bridge to East Bay cities has been used in official reports and discussions as a basis for assuming that San Francisco residents in large numbers will move to the East Bay cities, unless San Francisco improves its street railway service. Study of the reports indicates that the Manager of Utilities and his consultants consider this an impelling, if not the most impelling, reason for the proposed subway plan.

However, the higher cost of fares to East Bay cities may, and probably will, offset the factor of time saving. Experience in the past has indicated that in the use of transportation facilities the public is influenced to a considerable degree by the cost of the service. The element of cost should be of particular weight in the matter of "mass transportation" such as is involved in San Francisco rapid transit problem, as "mass transportation" involves service to many in the low-income group.

The Manager of Utilities in his report of May 25, 1936, states "The time required to reach some of the most desirable residence districts from the financial district is now equal to that required to travel to Redwood City or Palo Alto on the Peninsula, and to many points in the East Bay area."

As existing travel time to outlying communities, including East Bay communities "is now equal to that" to some residential districts within the City, it is probable that our population has not been drained for various reasons: Many people prefer to live in San Francisco; many people dislike commuting and having to meet fixed scheduled times of departure; and the five-cent fare in San Francisco, or \$2.00 to \$2.50 per month is more attractive, particularly when "mass transportation" is considered, than the average East Bay commutation rate of \$6.50 per month; Burlingame, \$5.81; Redwood City, \$9.05; Palo Alto, \$10.77, etc.

Obviously, some other factor besides travel time from the central business district has influenced the trend of population to such residential areas as

Ingleside in San Francisco and Redwood City in San Mateo County. The travel time from the downtown business area to these places is about the same, yet Ingleside has grown in importance as a residential section instead of losing population. The cost to Redwood City, however, is about four times as great and probably has affected the trend to an important degree.

Effect of Rates, on Travel:

The records of local experience show the effect of a higher or lower fare as a controlling factor having great weight on the riding habits of the public. The decline in traffic on the East Bay electric interurban-ferry systems coincided with fare increases. 1926 saw the beginning of the steady decline in traffic, when in January of that year the single fare was advanced from 18 cents to 21 cents. On July 1, 1928 the commutation rate was increased from \$5.20 to \$6.50 per month. The decline in traffic was accelerated.

Another example is the effect of the decrease in auto ferry tolls between San Francisco and East Bay points, put into effect in 1926. The reduction amounted to approximately 40 per cent, when the 60-cent auto toll, with five cents per passenger, became effective. The result was an immediate traffic increase of about 75 per cent over the previous year; at least two-thirds of the increase was due to the reduction in the cost.

More recent examples are available, indicating the public's "fare consciousness." The passenger auto rate of 65 cents, and later 50 cents, on the East Bay bridge, and 50 cents on the Golden Gate bridge, as compared with the former auto-ferry average rate of 93 cents, diverted practically all passenger-auto traffic to the bridges and produced an immediate and heavy increase in travel. Later, the reduction of the auto ferry rate from 50 cents to 30 cents for a single trip and 50 cents for a round-trip had an immediate adverse effect on the revenues of the two bridges. Despite the fact that the ferries necessitate a wait up to 15 minutes in length and take more than twice as long to reach their destinations, they are making their competitive influence felt by the bridges. Still later, the Golden Gate bridge reduced its truck toll charge to a flat 50-cent rate in order to compete with the ferries and, according to recent press releases, has succeeded in getting a huge increase in truck traffic.

The response of the riding public to street railway fare increases has been universally a reduction in street car riding in every city where increases have been put into effect. The Market Street Railway put into effect a two-cent transfer charge recently, and has had an immediate drop in patronage. Recent statements indicate that revenues have gone down two per cent in comparison with similar periods last year, despite the increased fare.

Local Travel Time Will Remain Lower Than East Bay Time:

Even if the cost factor is disregarded and comparison confined to travel time, the existing street car travel time in San Francisco does not compare unfavorably with estimated reduced travel time to East Bay cities via the Bridge. The reports on rapid transit, in dealing with local travel time, use "schedule time," with the statement that actual travel time during peak hours

is much longer than such "schedule time." Actual travel time has not been reported until recently.

The Manager of Utilities, in a communication on September 21st last, reported the actual running time for eight Municipal Railway lines, between the Ferry loop and their respective terminals, during the evening rush periods, between 4:45 and 5:45 p. m. on May 12th. The actual running time from Ferry to terminal for lines B, C, D, F, J, K, L and N, ranged from 25 to 55 minutes, an average for all lines of 44.7 minutes, and an average of 11.7 minutes behind "schedule time."

As the travel time for East Bay lines via the bridge is shown from Third and Market Streets in the May 1936 report, the running time given for the Municipal Railway lines must be calculated from the same point, and reduced to conform to the shorter distance. The distance from the Ferry loop to Third and Market Streets is approximately three-fourths of a mile. Eliminating this distance would reduce the actual running time for local travel during the evening rush hours from six to eight minutes. Assuming only a six-minute reduction, the average travel time for the eight lines would be reduced to 39.4 minutes. The scheduled running time from Third and Market to the Ferry loop for non-peak traffic periods is from four to six minutes.

The travel time on East Bay lines via the Bridge from Third and Market to their terminals is given in the May 1936 report of the Manager of Utilities. The average travel time, computed from this figure, is 44.3 minutes. This is approximately five minutes more than the average derived from the actual running time of the eight Municipal Railway lines on May 12th.

On the basis of "scheduled running time" during other than the peak traffic periods, the average for the same eight Municipal Railway lines would be 33 minutes as compared with the 44.3 minute travel time to the East Bay via the Bridge.

Bond Interest and Redemption To Be Met by Taxation:

The May 1936 report of the Manager of Utilities states: "In submitting this rapid transit construction program it is with the full knowledge that the existing five-cent street car fare will not carry the heavy investment. . . . As there can be no question of the immense benefit to the City as a whole which will come through the establishment of a rapid transit system, it is only reasonable and just that the cost be met by general obligation bonds. . . . By operating the (rapid transit) system as a part of the Municipal Railway, any profits may be employed in reducing the interest and redemption charges for rapid transit bonds to the relief of the taxpayers, in the same manner as the profits from the Hetch Hetchy power plants and the San Francisco Water Department are now being applied."

The bonds will be redeemed within 40 years, the maximum term permitted by law. With the construction period estimated as five years, the initial annual redemption (\$1,370,000) is postponed to the sixth year, 1942-43. That will represent the peak year for rapid transit bond interest and redemption. As estimated by the Controller, 1942-43 requirements for that purpose will be \$3,312,600, equivalent to 41.4 cents in the tax rate (based on one

cent in the rate producing \$80,000). The annual tax requirements estimated by the Controller to and including the peak year are as follows:

1937-38	\$ 8,000	.1 cent
1938-39	172,000	2.1 "
1939-40	946,000	11.8 "
1940-1941.....	1,578,000	19.7 "
1941-42	1,850,000	23.1 "
1942-43	3,312,600	41.4 "

Each year after 1942-43, the tax burden will decrease at the rate of seven-tenths cent a year, to a minimum of 17 cents in 1977-78 when the last annual installment of the bonds will be redeemed.

Statements have been published frequently to the general effect that "San Francisco can build its subway rapid transit system at an increase of only 7 cents in the tax rate for a period of no longer than five years." This is technically correct, if related to the 1937-38 tax rate only. It is misleading and erroneous, as the above table shows.

The original proposition submitted by the Manager of Utilities included \$6,000,000 for payment, out of bond proceeds, of interest during construction. This amount was later omitted and interest proposed to be paid from tax funds. However, some members of the Board of Supervisors continued to support a modified plan calling for inclusion in the bond issue of approximately \$1,750,000 for interest payments during construction. This plan was finally voted down and the measure on the November ballot includes nothing for interest payments. The proposition as submitted is the sounder method of bond financing for a project such as this, where the revenues will be insufficient to cover bond interest and redemption charges, as it eliminates the higher cost to the taxpayers of paying interest on interest payments.

Effect of Increased Assessed Valuations:

Among the factors considered by the Public Utilities Commission engineers as necessitating the construction of the proposed rapid transit system, or as benefits to flow therefrom, are: Retention by San Francisco of its present residents; increased population by building up districts heretofore retarded by slow transportation; increased value of local residential property, stabilization of downtown business and real estate values. On the basis of these factors it is contended that the project is of such general benefit that its cost should be financed by taxation.

The cost of the project, including interest over the life of the bonds, is estimated by the Controller as \$89,762,700. This represents an average tax cost of about \$2,240,000 per year. Average increased assessed values of approximately \$55,000,000 will be required to produce tax revenues in an equal amount (based on \$1,000,000 assessed valuation producing \$40,000 tax revenue—current, actual, \$38,710).

On the basis of the past, such an increase over twenty years, the mid-point in the life of the bonds, appears to be probable, with or without the rapid transit system—unless, as implied in the official reports, failure to provide rapid transit will result in stagnation, loss of population, cessation of natural growth and decreased property values. For the ten-year period

1911-1921, the assessed valuation of real estate and improvements increased from 404 to 502 million dollars; 1921 to 1931, to 695 millions; and 1931 to 1937 (six years) to 713 millions. The average increase for the twenty-year pre-depression period, exclusive of personal property and intangibles, was 14.5 millions per year; for the six-year depression period 3.5 millions per year.

Financial Results of Operation of Rapid Transit System:

The Manager of Utilities has repeatedly stated that although revenues of the Municipal Railway, including the rapid transit system, will not be sufficient to carry the debt charges on the bonds, they will be ample to cover all operating costs, with the possibility of an operating profit which can be applied to reduce the taxpayers' cost for rapid transit bond interest and redemption.

No statement of estimated operating costs and revenues has been issued. The Manager of Utilities advised the Supervisors that various estimates had been prepared, but that he did not wish to submit these, as they had to be based on various speculative elements including the percentage of the whole traffic that the rapid transit system would secure. He believes that the results attained in New York—operating revenues in excess of operating expenses—will likewise obtain on the proposed subway system.

Due to the unavailability of such estimates, the Bureau has attempted to make various checks of probable financial results of operation. It would appear that operating costs for the 5.6 miles of subway and .91 miles of tunnel, including operation of stations, would be considerably higher than similar costs for surface operation. Also that the operation of the proposed twelve to fourteen bus feeder lines will result in heavy deficits. These two factors will adversely affect net operating revenues. On the other hand, a reduction in the number of car-hours required to handle the traffic, and a lower cost per car-hour—both due to the higher operating speed in subways, tunnels, and, on the Mission line, over a private right-of-way—will reduce operating costs, probably in a sufficient amount to more than offset bus deficits and increased costs of subway operation, and thus increase net operating revenues.

Net income for 1936-37 for the Municipal Railway, less appropriation for redemption of 1913 Railway bonds, was approximately \$80,000. Even if this figure is increased as a result of subway operation, it is probable that for years to come, such net revenues will be applied to extensions, change of various lines from fixed-track type to trolley buses, and other forms of modernization, and will not be available to reduce the tax-cost for rapid transit debt charges.

Conclusion:

In the foregoing pages the Bureau has attempted to present in an impartial manner its analyses of various major factors of the rapid transit proposal—factors emphasized in the reports and statements of the Manager and engineers of the Public Utilities Commission, as well as others developed by the Bureau out of its own study of the proposal.

The Bureau makes no recommendation for or against the rapid transit bond issue or any other proposition on the November ballot. It trusts that

its presentation of all of the pertinent factors on the subject will assist each reader to come to his own conclusions.

It is generally agreed that improvements are required in our facilities for handling all classes of traffic, particularly into, out of and within the downtown business area. To bring about such improvements, the City must be willing to pay the cost, if it is convinced of the need, and is sure that the method or methods proposed represents the most efficient and economical solution.

Proposition No. 2 AIRPORT BONDS—\$2,850,000

A proposed bond issue of \$2,850,000 for improvements of the San Francisco Municipal Airport in San Mateo County is stated by the Public Utilities Commission—and by the Chamber of Commerce and other groups that have been in close touch with the situation—as necessary to insure leadership to this City's airport facilities in the competition for trans-Pacific and transcontinental airlines. The bonds, by provision for early redemption and short-term, eleven years, conform to the "pay-as-you-go" principle insofar as this can be applied to bond issues.

The proposed bond issue, if approved by the voters, will provide funds for the development of a seaplane landing port and related facilities at an estimated cost of \$1,400,000; landing field extensions at an estimated cost of \$1,300,000; land purchase, \$50,000; and radio and other navigational equipment, to meet requirements of the United States Department of Commerce, \$100,000. The principal features of the proposed seaplane port development includes the dredging of a channel, providing a fill for building sites and operations area, a levee and breakwater construction. Major landing field improvements consist of extensions to the existing runways, paving, drainage, sewage system, and construction of needed buildings.

San Francisco Airport is well managed and has made good progress during recent years. Two major transcontinental air lines now have terminals at the airport. The Pan-American Airways, operating the trans-Pacific clipper, has contracted to use the airport if a seaplane base is provided. Revenue has more than doubled in the past year—\$35,000 in 1936-37 and an estimated \$78,650 for the current fiscal year. It is stated by the Manager of Utilities that an increase to \$130,000 will be assured when contemplated improvements are completed.

The seaplane harbor will be used by Pan-American Airways, operating the trans-Pacific clipper ship service and will also provide facilities for the United States Coast Guard air base, for the establishment of which Congress has already appropriated \$650,000. Existing arrangements with the Coast Guard service and contract with the Pan-American trans-Pacific lines are necessarily predicated on the seaplane base development provided under the bond issue, as future use of the airport by these organizations would be impossible without such improvement.

Extension of the land-base runways from their existing 3,000-foot length, to 5,000 feet, is necessary to accommodate the larger and heavier airplanes that are now in service, and still heavier planes that are about to be put into

service. Failure of the City to meet requirements of recent and immediate future developments in the air transport service, and likewise to meet the present standards set up by the Federal Government for a first-class airport, mean the loss of major transport lines to this City, probably for all time. Much of the proposed work was approved as a WPA project, to be carried to completion with Federal funds, but on curtailment of the WPA program the airport project was eliminated together with many other WPA projects in San Francisco.

San Francisco is not the only city struggling with this same problem. Almost every large city in the country is seeking means to expand airport facilities in order to meet the continuous and rapid advancement in the science of aviation and development of larger "luxury liners," with greatly increased capacity. It is stated that the present air liners, although huge, will be superseded in a year by 40-passenger, 60,000 to 70,000-pound ships, with flying speeds of 240 miles per hour and high landing speeds. These ships will require wide paved runways up to 5,000 or more feet in length, far in excess of recent demands and present facilities.

It would appear that if San Francisco wishes to remain an important factor on the air map now and in the future, the City must provide the necessary facilities to retain its position. The alternative is to relinquish its major air traffic to other communities.

Proposition No. 3

HEALTH BUILDING BONDS—\$1,600,000

The proposed bond issue of \$1,600,000 for the Health Department is to be applied as follows: \$1,000,000 to Laguna Honda Home, \$400,000 to Hassler Health Home and \$200,000 to San Francisco Hospital. The proceeds of the bond issue are to be used for new buildings, new equipment, and for enlargement and modernization of existing structures as follows:

Laguna Honda Home:

The major item in this program is the construction of a new wing of four stories which will furnish 400 new beds for hospital purposes, the new wing to be connected to the present building by a 65-foot corridor. This in effect will itself be a new building of four stories, 40 feet wide, which will furnish space for an operating room and other hospital services such as laboratory, X-ray, dietary, etc.

It is proposed to transfer the patients from one of the present old buildings, which is in need of remodeling, to this new wing of the new building, and to transfer about 50 chronic hospital cases from San Francisco Hospital to Laguna Honda Home. The cost of maintaining patients in the general departments of San Francisco Hospital is stated to be \$4.99 per day per patient, and the cost per day per patient at Lagunda Honda Home is stated to be \$1.35. This transfer of 50 patients should result in an annual saving of about \$65,000.

It is also proposed to reconstruct two existing buildings for hospital purposes; to reconstruct the present infirmary for ambulatory patients; to en-

large the present power plant to take care of increased needs for steam heat and if possible to install an auxiliary electric generator; to equip the new buildings, and to modernize the present equipment—especially the X-ray equipment which, it is stated, has become so obsolete that in its use there now is constant danger both to the patients and to the technicians. It was stated that the lack of space, equipment and personnel for orthopedic treatment alone results in considerable expense because the City must care for this type of patient longer than would be the case if proper facilities were available.

Hassler Health Home:

The major item in this program for the City's Hassler Health Farm, located about three miles west of Redwood City, is the construction and equipping of cottage-type buildings to provide 240 additional beds—200 beds for patients now cared for in the San Francisco Hospital who are shedding the organisms of tuberculosis, and 40 beds for convalescent children. It is stated that there is not now sufficient provision in any local institution for care of indigent tubercular children.

Other items are construction of quarters for the staff; construction of an additional dining room and enlargement of the employees' dining room; enlargement of X-ray and laboratory facilities; construction of a sewage disposal system; construction of a gate house at the entrance to the grounds; enlarging the water system; and enlarging the power house, including construction of gas and electric lines.

The cost of caring for the tubercular patients at San Francisco Hospital is stated as \$3.18 per day per patient. The cost per patient per day at Hassler Health Home is stated as \$2.90, and it is further stated that with the improved facilities to be provided by the bond issue, the cost can be reduced to \$1.50 per day per patient. Should the cost remain at \$2.90 per day, the annual saving from the transfer of 200 tubercular patients to Hassler Health Home would be in excess of \$20,000. Should the cost at Hassler Health Home be reduced to \$1.50 per day the annual savings would be in excess of \$122,000.

San Francisco Hospital:

Extensions and redevelopments in the Service Building account for more than one-half the proposed expenditures at San Francisco Hospital. Included in this item are: extension of the employees' dining room and rebuilding of service pantries and kitchen; additional space in the pharmacy and sewing room; new diet laboratory; and equipment for the foregoing; alterations of the second floor for an X-ray department and equipment therefor.

It is proposed, further, to redevelop that portion of the receiving unit and the old chapel which now is occupied by the psychopathic service and which will be released upon the opening of the new psychopathic building; to enlarge the present X-ray unit into additional accommodations for surgery; to enclose and cover the passage above the main corridor and to sound-proof the main corridor and cross corridors.

Reasons for Bond Issue:

The Director of Public Health stated that the Department in the past three years had attempted to accomplish the construction and rehabilitation at the San Francisco Hospital and the Health Farm through WPA participation. Although approved as WPA projects, the work has not been done, and with the curtailed WPA program, will not be done. Therefore this bond issue is proposed in order to meet the immediate and ever-growing needs of these units.

It would appear that the contemplated improvements are vitally necessary. Also that the proposed plan will result in better and more adequate care for the indigent sick, at a decreased cost per patient day, and a further decreased cost, by reducing the number of patient days by restoring many patients to useful service in a shorter period than is possible with the existing facilities at the three institutions. The estimated annual savings, if realized, will more than offset the annual interest and redemption charges on the bonds.

It is to be regretted that certain of the items included, involving alterations of existing buildings and modernization of old equipment, could not have been provided by annual budget appropriations. Under ordinary circumstances, needs of this type which are constantly recurring in a city as large as San Francisco, should not be funded by bond issue. It would appear, however, that the whole program to be carried out under the proposed bond issue is needed now, will provide badly needed facilities for the City's indigent sick, will reduce unit costs of patients' care, and will provide institutional facilities that should be adequate, under normal demands, for years to come.

Proposition No. 4

SEWER BONDS—\$5,000,000

The proposed \$5,000,000 sewer bond issue is recommended by the City Engineer to provide funds for the construction of main sewers and one sewage disposal plant; for the reconstruction of old sewers in various sections of the City; and for the purchase of a site for an additional disposal plant. The bond legislation does not specify either the projects or their location, simply specifying most of the important districts in the City, both downtown and residential, in which the contemplated projects would be located. The bonds will be dated January 1, 1938, with redemption beginning at the end of the first year and continuing during the 20-year life of the issue. For the first ten years, redemption will amount to \$125,000 annually and during the last ten-year period the annual redemption will be \$375,000. A proposal that the bonds be retired in equal annual installments, to reduce the interest cost, was rejected.

New construction, including main sewer extensions and sewage treatment facilities, is estimated to cost \$3,158,280. This estimate includes approximately \$589,000 for the extension of the Vicente Street storm sewer at the beach, main sewer extensions in Visitacion Valley, along O'Shaughnessy Boulevard, Marina Boulevard and the Baker Street outfall sewer. This will also provide for main sewers of larger capacity along Anza Street and Arguello Boulevard

for possible future development of the cemeteries as residential areas. Approximately \$619,000 of the amount estimated as being required for new construction will be used to provide for the extension of the Alemany outfall sewer and main sewers along Toland Street, Napoleon Street and Evans Avenue in the Islais Creek area.

Approximately \$885,000 has been allocated for the enlargement of the existing sewage plant in the western end of Golden Gate Park and other related facilities. This disposal plant, when completed, will care for the entire western portion of the City, eliminate sewage pollution of the ocean beaches, and provide a useable water supply for park purposes. The sum of \$1,065,000 would be applied to the purchase of a site for a North Point sewage treatment plant in the vicinity of Pier 37, and the extension of the existing North Point outfall sewer under Pier 37 and into deep water.

The amounts required for the reconstruction of existing sewers are somewhat speculative in character, due to the lack of adequate information and data that could be supplied by either actual surveys or by records of the Bureau of Sewer Repair. The City Engineer's office is fairly definite in the allocation of \$989,463 for reconstruction of existing sewers, a large part of which are located in the filled-in regions both north and south of lower Market Street and in the area south of Market as far west as approximately Seventh Street. Due to a lack of accurate information, the sum of \$852,257 has been included for reconstruction projects which are subject to change. This amount is proposed for replacement of sewers that connect with main sewer replacements when the latter, during reconstruction, are built to grade. It is stated that such connecting sewers have sunk below grade in many instances in the filled-in areas, and that extensive replacement may be required to maintain operation of the system.

No Prior Consideration of "Pay-As-You-Go" for Sewers:

On July 1st of this year there were three issues of outstanding or unsold sewer bonds amounting to a total of \$5,658,000. These issues included \$1,700,000 of 1908 sewer reconstruction bonds (reconstruction after the 1906 earthquake), with final redemption in 1954; \$1,800,000 of 1929 sewer bonds, final redemption in 1955; and \$2,158,000 of 1933 sewer bonds either unsold or outstanding, with 1963 as the date of final redemption. The current year's budget includes \$288,000 for redemption of bonds of these issues, and about \$273,000 for interest; a total of \$561,000 or about seven cents in the tax rate.

The foregoing indicates a long-standing policy of letting sewer construction and reconstruction needs accumulate, and then financing these out of bond issues. Such needs are recurrent, just as are school, fire and police buildings, street work and the like, and should be financed in the same way—currently, out of annual budget funds, on the pay-as-you-go plan.

A large part of this proposed replacement and main sewer extension program is of the class of improvement normally financed on the "pay-as-you-go" basis. This method for sewer work was used to a very limited extent prior to the depression. It has not been resumed, although recommended annually in the budget requests of the Department of Public Works. This,

resulting in an accumulation of work, is partly responsible for this bond issue. Lack of accurate information, however, hinders proper evaluation of the City's reconstruction requirements, which may be as urgent as has been stated, but which cannot be determined satisfactorily at present.

Proposition No. 5
REFERENDUM AGAINST LAUREL HILL CEMETERY
REMOVAL ORDINANCE

The Supervisors last spring, after extensive hearings, adopted two ordinances providing respectively for the removal of Calvary and Laurel Hill cemeteries. The adoption of the ordinance providing for the removal of Laurel Hill Cemetery constituted rejection of a proposal made to the Supervisors by the governing board of the cemetery that the property be turned over to the City to be continued and maintained by the City as a memorial park.

Operation of the ordinance has been held up by referendum petition and thus the matter is submitted to the voters.

Balloting on the proposition will be on the subject of the cemetery removal ordinance itself. A "yes" vote sustains the ordinance and forces removal of the cemetery; a "no" vote opposes the ordinance and favors retention of the cemetery.

This being a regulatory rather than a governmental measure, it is not analyzed in detail by the Bureau.

Proposition No. 6
QUESTION OF POLICY RE EXTENSION OF FIFTH STREET
NORTH ACROSS MARKET—\$2,000,000

Shall the Supervisors, at a later election, submit a bond issue to the voters for this project?

Proposition No. 7
QUESTION OF POLICY RE EXTENDING GRANT AVENUE
FROM MARKET STREET SOUTH TO BRANNAN
STREET—\$4,700,000

Shall the Supervisors, at a later election, submit a bond issue to the voters for this project?

The Supervisors last summer, after several months of discussion, voted down two proposed bond issues—one for \$1,909,000 to provide for the extension of Fifth Street from Market to Mason Streets; and the other \$4,694,800, to provide for the extension for Grant Avenue from Market to Brannan Streets.

A majority of the Board favored some new street opening across Market

Street but could not agree as between the two proposed projects. Therefore, it was decided by the Board on August 31st to submit the two projects to the voters in the form of questions of policy.

Under the charter, if either or both of these questions of policy is approved by a majority vote of those voting on the proposition at the November election, the Supervisors must submit such proposed bond issue or issues to the voters at a later election. If so submitted, passage as a bond proposition will require the usual two-thirds vote. By reason of the fact that the question of policy can be adopted by majority vote, although a subsequent bond issue would require two-thirds vote, the action of the voters at the November election may be meaningless.

Inasmuch as each of the projects represents a question of policy and is not at this stage a governmental measure, neither of these propositions has been analyzed in detail by the Bureau.

Proposition No. 8

ANTI-PICKETING ORDINANCE (INITIATIVE)

At the election of March 9, 1937, the voters approved a proposition submitted by the Board of Supervisors at the request of labor groups in the City repealing the so-called Anti-Picketing Ordinance which had been adopted by the voters as an initiative measure at an election held in November, 1916.

This Proposition No. 8 on the November 2nd ballot has been placed on the ballot by initiative petition and is designed to restore ordinance provisions regulating or restricting picketing in labor disputes.

This being a regulatory rather than a governmental measure, it has not been analyzed by the Bureau.

Proposition No. 9

INSPECTION OF CIVIL SERVICE EXAMINATION PAPERS

This proposition would add a new section, 147.1 to the charter of the city and county. It provides that after the Civil Service Commission had prepared and posted a list of eligibles as a result of competitive examination, such list shall not be finally approved for a period of two weeks. During such time any citizen might inspect and copy any of the papers, questions, answers and grades of any person taking the examination upon the payment of a fee of not more than one dollar for the inspection of all papers relating to any individual. The Civil Service Commission is empowered, within 60 days of the posting of the list of eligibles, to correct any error in the rating of any examinee and to alter and make such changes in the list of eligibles as it may deem justified after any re-examination of examination papers, answers and ratings.

The proposed amendment was introduced at the request of and was supported by officials of the Federation of Municipal Employees, who stated that its intent was to provide for publicity in the marks and grades fixed by the Civil Service Commission in competitive examinations. It was stated that

it would be a safeguard against dishonest or erroneous ratings by the Commission.

It was opposed by the Civil Service Commission in a communication to the Board of Supervisors and was likewise opposed by the secretary and examiner of the Commission. The Commission's opposition was based on the statement that the amendment would duplicate the work and increase the cost of the Commission; that other jurisdictions would refuse to furnish the local Civil Service Commission with examination data if this was to be made public; that there is no precedent for giving publicity to Civil Service Commission examination papers and ratings; that the San Francisco procedure, where any candidate is permitted to inspect his own papers and the marks given by the Civil Service Commission examiners, is more liberal than the regulations of other civil service commissions in the country; that six months ago the Civil Service Commission put a stop to "coaches" copying questions and that the amendment if adopted would perpetuate the "coaching-school evil."

About six months ago, when the local Commission arranged to exchange examination material with other civil service commissions, it had to agree not to open its questions to the public. If papers are open for inspection, as provided by this proposed amendment, the other commissions would put a stop to sending their material to the San Francisco commission. It is stated that this exchange service is of great value; that it simplifies and speeds up the process of preparing adequate examination questions; that it reduces the cost of preparing examinations; and that it expedites the work of the Commission, as an examiner can prepare and hold several times the number of examinations, in a given period, by using this exchange material than has been possible where each examination had to be created on the basis of local material only.

If there is any need for the proposed amendment, there is no need of submitting it at the coming election. Even if adopted, it would not be ratified until the Legislature meets in general session in January, 1939.

The amendment was "ordered submitted" by the Board of Supervisors without the usual committee hearings accorded to matters of this kind, and without extensive hearing by the Board. In the brief discussion of the subject before the Supervisors, it did not appear that the necessity for such an amendment had been demonstrated.

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A Publication Devoted to the Promotion and Application of Scientific Principles of Government

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SEPTEMBER 15, 1938

No. 1

Propositions on the September 27th Ballot

Bond Issues

1. Sewers	\$4,200,000
2. Courts Building	3,828,000
3. Yacht Harbor	700,000
4. Schools	2,800,000
5. Welfare Building	225,000
6. Playgrounds	900,000
7. Livestock Pavilion	525,000
8. Market Street Railway	24,480,000

Charter Amendment

9. Traffic Commission.

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WAKEFIELD BAKER	WALTER A. HAAS		CLARENCE M. ODDIE
V. E. BREEDEN	E. CLARENCE HOLMES		ROBERT M. SEARLS
BRUCE CORNWALL	JAMES IRVINE		JESSE H. STEINHART
WILLIAM W. CROCKER	JAMES K. LOCHHEAD		GEORGE STIMMEL
PAUL ELIEL	L. B. MACKEY		J. H. THRELKELD
	WILLIAM H. NANNY	<i>Director</i>

The Propositions on the September 27th Ballot

The special election on September 27th was called primarily for the purpose of submitting various bond issues to the voters so that if such issues are approved the City will be eligible to receive from the Federal government a PWA (Public Works Administration) grant of approximately 45 per cent of the cost of each such project. Also, it was the desire of the administration to secure action by the voters at the earliest possible date on the recommendation of the Citizens' Traffic Committee (Curtis D. O'Sullivan, chairman) that, by charter amendment, a Traffic Commission be created and adequately financed for a study of the City's traffic and transportation problem as a whole. Subsequently the proposed bond issue for purchase and rehabilitation of the Market Street Railway was added to the list of ballot measures.

The PWA Bond Program

The Mayor, in presenting the proposed PWA bond program, has stated that the various projects would not be proposed for bond financing at this time, if it had not been for the Federal PWA program. Under this program, projects financed by the City and which are approved by the Federal Public Works Administrator are eligible for a grant of 45 per cent of the cost. Among the conditions required for Federal approval are, that a given project be started not later than January 1, 1939, and that it be substantially completed by June 30, 1940. Various improvements originally proposed, including several tunnel projects, were dropped because they could not be started or finished within the time limitations.

The eight bond propositions are as follows:

	Amount	Maturity	Annual Redemption	Estimated Federal 45% Grant
1. Sewers	\$ 4,200,000	15	\$ 280,000	\$ 2,003,400
2. Courts Building	3,828,000	15	255,200	1,825,956
3. Yacht Harbor.....	700,000	5	140,000	327,600
4. Schools	2,800,000	10	280,000	1,335,600
5. Welfare Building.....	225,000	5	45,000	103,950
6. Playgrounds	900,000	5	180,000	405,000
7. Livestock Pavilion	525,000	5	105,000	.....
Sub-Totals	\$13,178,000		\$1,285,200	\$ 6,001,506
8. Market Street Railway.....	24,480,000	28*	979,200	5,474,700
TOTALS	\$37,658,000		\$2,264,400	\$11,476,206

Of the eight bond propositions, the first six, as enumerated above, are made contingent on the receipt of a Federal grant. The bond ordinance provides that bonds authorized for each of these projects may not be sold nor offered for sale unless such Federal grant is received. The Livestock Pavilion bond issue is made contingent, by provision of the bond ordinance, on the receipt, by the Directors of Agricultural District No. 1A, of a sum of \$300,000 from the State of California. This will be in addition to the \$525,000 of bonds to be

*Redemption over a 25-year period, starting in fourth year.

voted on by the people. A further additional sum, estimated by the Directors of the District as \$425,000, is expected as a Federal grant, application for which has been filed by the District with PWA officials.

At the request of the Mayor, a Conference Committee composed of representatives of the Chamber of Commerce, Junior Chamber of Commerce, Real Estate Board, Down Town Association, Building Owners' and Managers' Association, California Security Dealers' Association, and Retail Merchants' Association, with the Bureau serving as a staff agency, reviewed the Mayor's proposed PWA program, recommended various revisions therein and subsequently approved the program as revised, with the exception of the bond issues proposed for the Court Building and Livestock Pavilion. The bond issue for Market Street Railway purchase and rehabilitation was not considered by this committee. Most of the civic organizations represented on this committee have acted on the program and supported the committee's recommendations.

Financial Policies Involved in Bond Issues

The terms of the several issues as shown in the foregoing table represent a practical application of the pay-as-you-go principle as applied to bond issue financing. The short terms for the several issues were recommended by the Controller, and by the Bureau and the Conference Committee referred to above, and were approved by the Mayor. The Bureau and this Conference Committee also recommended that PWA grant funds be applied exclusively to the redemption of bonds and preferably to the redemption or cancellation of bonds having the longest maturities in each of the several issues. It was likewise recommended that, to avoid future bond issues for sewer reconstruction and playgrounds, the Mayor and the Board of Supervisors adopt, by resolution, a policy committing them to the inauguration of an adequate pay-as-you-go program for these purposes in the next annual budget. These recommendations have not been acted upon.

It should be stated that, regardless of the manner in which PWA grant funds are used—whether, (1) exclusively for the retirement of bonds, which would be the most economical use of such funds, or (2) to meet initial bond interest and redemption charges, which would be the least economical use—the net “over-all” cost to the City for any of the six projects on which a Federal grant is allowed will be less than the cost of such project if carried out of annual pay-as-you-go appropriations without such Federal grant. The net cost, as used in this connection, is the amount of the bond issue, plus the estimated amount of interest during the life of such issue, and less the estimated amount of Federal grant to be received.

Future Pay-As-You-Go Program Must Be Stressed

The amount of the bond issue for playgrounds represents part of the cost of a program of playground development to which the City is committed

that has been neglected for years. Likewise \$1,000,000 included in the total amount of the sewer bond issue represents a partial program of sewer reconstruction, also neglected for years, and the total cost of which is estimated by the City Engineer as between five and seven million dollars. Projects of this type, and recurring in nature, should be financed by the City out of annual pay-as-you-go appropriations. These bond issues, with the application of Federal grant funds, give the City an opportunity partially to catch up on programs that have been held back for too long a period, and to do this at a minimum tax cost and minimum expenditure of City funds. However, it should be the future policy of the City to provide for such recurring needs out of annual budget appropriations and to submit no further bond issues to cover this type of expenditure.

Effect on Charter Leeway for New Debt

The eight bond issues total \$37,658,000. If these are voted by the people, this amount will have to be spent and the amounts received in the form of Federal grants will be used to reduce taxpayers' costs for debt charges, as they come due, on these bonds. The Bureau estimates that, taking account of bonds previously authorized but as yet unsold, and taking account also of bond redemptions provided for in the current budget, there is a leeway for new debt, under the charter 12 per cent debt limit, of \$67,887,944. If the eight proposed bond issues are approved by the people, the leeway for new debt will be reduced to slightly over \$30,000,000.

PROPOSITION No. 1

Sewer Bonds . . \$4,200,000

The proposed \$4,200,000 sewer bond proposition represents a reduction from an original program totalling \$13,000,000 as submitted by the City Engineer in the initial stages of the PWA program. This was then reduced to \$9,000,000 and later to \$5,500,000, on the basis of the City Engineer's estimate of the maximum volume of work that could be started by January 1, 1939, and completed by June 30, 1940, as required by PWA regulations. The latter figure was finally reduced to \$4,200,000 by the Mayor and the City Engineer, on the recommendation of the Conference Committee, previously referred to. This group favored the proposed expenditure of \$3,200,000 for sewage disposal plants and facilities, new sewers and extensions, but only \$1,000,000 out of an estimated \$2,300,000 expenditure for sewer reconstruction. The group recommended that all future expenditures for such reconstruction, estimated as involving a total of at least \$5,000,000, be made on a pay-as-you-go basis, by adequate annual budget appropriations.

The program submitted by the City Engineer, although not segregated and specified in the bond ordinance, includes an estimated total for sewage treatment and disposal of \$1,400,000, of which approximately \$1,110,000

will be allocated to various units of a Richmond-Sunset sewage treatment plant. The completion of this proposed plant, to be located in the western part of Golden Gate Park, will improve the existing unsanitary and dangerous health conditions of San Francisco beaches. The balance of the proposed sewage disposal program involves establishment of pumping plants in several locations.

The new main sewer and main sewer extension program, estimated to cost \$1,800,000, includes fifteen individual projects. The larger items are—Alemany and Army sewer extension, \$316,000; Islais Creek district outfall sewer system, \$315,000; Ingleside connecting sewer in Lake Merced lands, \$300,000; and a new sewer in O'Shaughnessy Boulevard, \$120,000. The balance of the new sewer program, \$749,000, is distributed among the remaining eleven projects on the City Engineer's list.

The third group of projects, reconstruction and replacement of old sewers at an estimated cost of \$1,000,000, represents a reduction from the City Engineer's program, totaling \$2,300,000. It included the reconstruction of sewers south of lower Market Street near the Embarcadero, a portion of the sewer system in the triangle bounded by Washington street, Sansome street and the Embarcadero. The balance of the program is made up principally of reconstruction in the Western Addition district.

At the election of November 2, 1937, a proposed \$5,000,000 bond issue for sewers was voted down. Opposition from a number of civic organizations was based on the fact that almost \$1,000,000 had been set up for projects, without adequate survey of the condition of and extent to which the sewers should be reconstructed. The City Engineer states that since that time the necessary surveys have been made, and that the present proposal is based on a comprehensive knowledge of conditions.

Pay-As-You-Go for Sewer Replacements

That part of the proposed bond issue that provides \$1,000,000 for sewer reconstruction and replacement, is in line with a long-standing policy of allowing this type of capital outlay to accumulate for a period of years, and then urging the necessity of bond-issue financing to "catch up" on the delinquent replacement program.

Since 1908, three bond issues have been authorized by the voters, totalling \$8,825,000, of which \$5,377,000 was outstanding on July 1st of this year. The first of these issues, dated July 1st, 1908, involved a total of \$4,000,000, of which \$1,600,000 is outstanding, with final maturities in 1954. The proceeds of this issue were used for the purpose of reconstruction, following the earthquake and fire of 1906. The second issue was authorized in 1928 for \$2,200,000, of which \$1,700,000 is now outstanding and will not be finally redeemed until 1955. The third issue was voted in November, 1933, as a part of the PWA bond program of that year. The amount originally authorized

was \$2,625,000, of which \$2,077,000 was outstanding on July 1st. This issue will not be finally redeemed until 1963.

Practically all projects involved in the sewage treatment and disposal phase of the present proposal are proper projects for bond issue financing. The larger main sewer extension and new main sewer projects may also be considered in this class. On the other hand, reconstruction and many of the smaller items of the main sewer extension construction should be financed on a pay-as-you-go basis, out of appropriations in each annual budget, as this work is recurring in nature, and of the type usually financed in this manner.

The bond issue now before the voters is, in large part, the result of the failure to provide funds for sewers in the past. The improvements appear to be necessary. The work has accumulated to such an extent that there is little possibility of "catching up" with annual budget appropriations. If the proposed \$4,200,000 issue is adopted, there will still remain the balance of the original proposal of the City Engineer to be given consideration in future financing programs, which should be started with a substantial appropriation for sewer reconstruction in the next annual budget. This practice should be continued each year thereafter, in order to do away with the necessity for bond issues for sewer reconstruction work in the future.

PROPOSITION No. 2

Courts Building Bond Issue . . . \$3,828,000

The proposed bond issue of \$3,828,000 will, if adopted, provide funds for the construction of a four-story building on the vacant property in the Civic Center between Fulton, Grove, Larkin and Hyde Streets. The building is expected to follow the general architectural scheme of the buildings grouped around the Civic Center.

It is planned that the proposed Courts Building would house the Recorder, County Clerk and Sheriff on the first floor; twelve Municipal Courts and a portion of the Law Library on the second; twelve Superior Courts, an Appellate Court, Grand Jury meeting room and a portion of the Law Library on the third; and eight Superior Courts and a portion of the Law Library on the fourth floor. It is proposed to utilize the basement for storage space and to provide sufficient garage space for the storage of City-owned automobiles.

At the present time, most of the courts and related county offices that are expected to occupy the new building have quarters in the City Hall. All of the fourth floor and approximately two-thirds of the third floor is occupied by the courts and related offices.

Upon the completion and occupation of the City Hall in 1915, it has been stated that it was generally understood that provision eventually would be made for another building for the courts housed in the City Hall. It is true that crowding now exists in some of the departments in the City Hall, and that this probably could be relieved by releasing, for their use, space now

used by the courts and related offices. It does not appear, however, that an adequate solution of the problem of housing for all the departments and agencies of the City has been developed. The bond issue of \$3,828,000, a sum equal to more than half the cost of the City Hall, to meet only part of the problem, does not seem warranted at the present time.

PROPOSITION No. 3

Yacht Harbor Bond Issue . . \$700,000

The \$700,000 bond proposition for enlarging the capacity of the Yacht Harbor on the Marina was submitted by the Park Commission. The Park Commission's plans call for an increase of approximately 375 berths. The present capacity is 155. It is stated that during the years of operation of the Yacht Harbor there has never been an actual vacancy.

Park Commission forecasts, based on a fairly comprehensive knowledge of the situation, indicate that the proposed increased capacity will soon be fully occupied. The Commission charges a monthly rental of from \$5 to \$20, depending on the size of the berth occupied. If the added space is kept occupied more or less to capacity, it is estimated that the project will bring in a gross revenue of approximately \$20,000 to \$25,000 annually. Deducting the cost of watchman, supervision and maintenance, it is estimated by the Park Commission that there will be a substantial balance as an operating profit. Payment of interest or redemption of bonds has not been included, as the profits will go into Park Department funds. It is proposed by the Commission that any further extensions and additions to the Yacht Harbor will be made out of the revenues from the 500 or more berths that will be available, if the bond issue carries.

It is contended that the proposed improvement fits in with, and supplements, recreational projects already provided by the City—such as playgrounds, parks, aquarium, zoo, swimming pool, golf courses, museums and others—to provide a balanced program for the people as a whole; that it will have some beneficial effect in the local development of industries servicing and equipping yachts and motor-boats; and that it will enhance the attractiveness and local color, to our own people and to visitors, of a sport-center natural to San Francisco Bay.

PROPOSITION No. 4

School Bond Issue . . \$2,800,000

The proposed bond issue of \$2,800,000 is expected to provide for the construction of one new junior high school, a first unit of a new senior high school and additional units for or additions to seven existing schools. The Board of Education selected these projects from an estimated \$8,000,000 program. It is stated that the sum of \$1,200,000 is available from budget funds for units of this program and that application has been filed for an additional

PWA grant on the basis of the proposed expenditure of this sum. The Board of Education first submitted a \$3,500,000 bond-issue program, which included \$600,000 for a School Department administration building and \$210,000 for replacement of bungalows at various schools. The Board later withdrew the administration building project and proposed an issue of \$3,000,000.

The Conference Committee, previously referred to, proposed reductions totaling \$660,000 and recommended approval of specific projects estimated to cost a total of \$2,340,000. The Mayor and the Board of Education agreed to this program, but the Supervisors increased the amount by \$460,000, bringing the total to \$2,800,000.

One of the major projects included in the bond program is a new junior high school, estimated cost, \$900,000, for the outer Mission District in the vicinity of the Balboa High School located on Cayuga and Onondaga avenues. Rapid growth of the district in the past ten years and the lack of a junior high school in this territory has made such a unit necessary from the standpoint of the school population to be served, and also to relieve present overcrowding in the Balboa High School. The capacity of the school will be 1,600 pupils.

Another major project in the school bond program is the construction of the first unit of a new Abraham Lincoln High School in the Sunset District, at an estimated cost of \$750,000. It is stated that approximately 1,500 pupils will be available by the time the building will be completed. It is proposed to care for both junior and senior high school classes and thereby relieve the pressure on Balboa and Polytechnic High Schools, each of which is now carrying a heavy overload. There are no high schools in this area at the present time. The project, when ultimately completed, is estimated to cost \$1,500,000.

Another major project is the construction of a women's and a men's gymnasium, as the second unit of the new San Francisco Junior College at Balboa Park, the 50 acre site of the old county jail on Ocean Avenue. The first unit, an academic building, for which the sum of \$800,000 has been provided by budget appropriation, is now under construction. At present, Junior College classes are temporarily housed in parts of six high schools and in a former University building rented by the School Department. The incomplete enrollment to September 1st is 2,043 students. The Junior College project, when completed, will represent a total cost of \$3,500,000, and is expected to house 4,500 students. In addition to the academic unit now under construction and the two gymnasiums planned under the proposed bond issue, the completed College will include additional classroom buildings, an administration building, auditorium, library, laboratories, cafeteria and an athletic field.

The bond issue program also includes an auditorium and baseball and track field, estimated cost, \$325,000, for the George Washington High School, located in the Park-Presidio District on 32nd avenue at Anza street. The school has an enrollment of approximately 2,000 pupils and has been operated during the past three years without gymnasium, auditorium, or athletic field.

* The gymnasium and football field are to be constructed out of funds on hand.

The five remaining projects included in the bond program include the construction of the second unit of the Samuel Gompers vocational trades school, **at an estimated cost of \$190,000.** The school, located on 22nd and Bartlett streets, ultimately will consist of five units, if present plans of the School Department are carried out. At the present time the first unit is filled and an overflow of 15 classes is housed in temporary buildings. Another project, involving an estimated expenditure of \$65,000, will provide a playground in the rear of Mission High School. The property has been purchased, buildings removed and the site is now ready for the work to proceed. The last item in the proposed program, \$70,000, involves completion of kindergartens at Francis Scott Key, Visitacion Valley and Glen Park Schools. Lack of funds prevented completion of these units at the time the schools were constructed.

A recommendation by the Conference Committee—that the several projects be specifically designated in the bond ordinance, to guard against possible future deviation from the proposed program—was not acted upon.

Minor arguments advanced against the program as a whole, were that inclusion of the \$325,000 auditorium and track for the George Washington High School was unnecessary and an extravagance; that the inclusion of minor items for bungalow replacement and kindergartens were not bond issue matters, but typical budget projects; and that the pay-as-you-go program inaugurated before the depression and continued spasmodically ever since should be resumed for the purpose of providing necessary funds for school system expansion.

Relative to the first point, the Board of Education years ago established the policy of equipping high schools with these appurtenances, and has stated that if these are not provided for George Washington High School out of the proposed bond issue, they would have to be provided in the near future out of budget funds. Relative to the last two points, this proposed ten-year bond issue, in conjunction with the 45 per cent Federal grants, reduces the cost below what the cost would be on the pay-as-you-go basis.

It is the stated policy of the Board of Education to proceed with the projects set up in the \$2,800,000 bond proposition, regardless of whether the bonds are voted or not. Conditions within the School Department have demonstrated the need for additional facilities, funds for which will be raised by annual tax levies, if the bonds fail to carry. Approval of the bond issue now on the ballot will make the needed facilities available within one year, and, by the application of a PWA grant, will reduce the cost below what such cost to the taxpayers would be on a pay-as-you-go basis.

PROPOSITION No. 5

Welfare Building Bond Issue . . \$225,000

This proposed \$225,000 bond issue will provide funds for the construction, at Page and Gough streets, of an administration building to house the

Public Welfare Department. This is a new branch of the City government, formed by charter amendment adopted March 9, 1937, which consolidated the functions of the Citizens' Emergency Relief Committee and the functions and employees of the County Welfare Bureau. At present, the offices and organization units making up this department are housed in the Health Center Building in the Civic Center, with the overflow in private buildings. The department handles old age relief, or pensions, blind aid, aid of widows and orphans and unemployment relief. The personnel handling these activities has increased from the 18 employed in 1932-33 by the old County Welfare Bureau, to 140 in 1938-39, the current fiscal year.

The Page and Gough Street site is only one block from all Market Street car lines passing that point, and is considered a more desirable location for the purposes of the department than a Civic Center location. There is no available space in existing City buildings adequate to house this department, in quarters that are centrally located and easily accessible to the large numbers of clients served by the department. Therefore, it appears to be necessary to provide such quarters.

PROPOSITION No. 6

Playground Bond Issue . . . \$900,000

The Recreation Commission proposes to improve and develop five existing playground sites with the proceeds of the proposed \$900,000 bond issue. The total area of these playground sites, which are only partially effective in serving the public at present, is slightly in excess of 77 acres. The total area of 42 fully developed playgrounds now operated by the Commission is 124 acres.

The location, area and estimated cost of each playground project is as follows: At the Crocker Amazon playground, located on Geneva avenue, area 42 acres, the Commission plans to construct wooden bleachers, with shower and locker rooms underneath, for eleven baseball diamonds, at an estimated cost of \$47,000. At the Rossi playground, Arguello and Anza streets, area 6.25 acres, the Commission's plans call for the construction of a combination field house and community center at an estimated cost of \$396,000. Field houses, offices, club rooms and related facilities are planned for three playgrounds—Ocean View, area 10 acres, Plymouth avenue and Lobos street, at an estimated cost of \$150,000; Potrero Hill, 22nd and Arkansas street, area 9.5 acres, at an estimated cost of \$137,000; and St. Mary's on Alemany boulevard, area 9.5 acres, at an estimated cost of \$130,000. The balance of the \$900,000 bond issue, \$40,000, represents incidental expenses.

The Potrero Hill and St. Mary's playgrounds have been owned by the City for over 12 years. As budget funds have not been made available for their development, they cannot be even partially used at the present time. Sites of the other projects included in the bond issue are owned by the City, and the properties have been partially developed out of City or WPA funds.

The Recreation Commission's original PWA bond program totaled \$1,217,000. This included amounts for construction of concrete bleachers at the Crocker Amazon playground, for a field house at the Ortega playground, and for a field house, dressing rooms, showers, etc., at the James D. Phelan beach and playground. The Conference Committee, previously referred to, recommended a reduction to \$725,000 by eliminating the Rossi, Ortega and Phelan projects. The proposition was then revised by the Recreation Commission, and later by the Supervisors, to include the Rossi project and to provide for temporary wooden bleachers instead of concrete for the Crocker Amazon project.

A recommendation by the Conference Committee to the Mayor that the specific projects be enumerated in the bond ordinance, to insure adherence to the program as outlined, was not acted upon.

In addition to playgrounds operated by the Recreation Commission, there are 27 supervised school playgrounds with an area of 28 acres. The Park Commission also operates the Fleishhacker playfield, swimming pool and zoo, and the seven-acre playground area in Golden Gate Park. The supervised and equipped playground area in San Francisco totals 159 acres, excluding Fleishhacker and the five sites proposed for improvement in this bond issue.

Pay-As-You-Go Basis for Playgrounds

The playground system of San Francisco has been largely developed by pay-as-you-go financing for many years. The old charter provided funds for playground purposes, based on a tax rate of five cents, minimum, and seven cents, maximum. The present charter requires an annual tax levy for playground purposes, based on a tax rate of not less than seven cents. It was estimated on the basis of past experience, that this fixed minimum levy, which can be increased by the Mayor and the Supervisors in any annual budget, would provide sufficient funds for operation, maintenance and new playground development. However, growth of the playground system, with attendant increased operating costs, has reduced the amount available each year for expansion.

The total value of playground property carried on the books of the City and County is \$4,705,810, of which \$2,700,868 is set up for the value of the land. Bond issues have played little part in the acquisition and development of the Recreational facilities. The voters have approved only one playground bond issue in the past 35 years, namely the issue of June 30, 1904, for a total of \$741,000. Of the \$2,500,000 unemployment bonds dated February 1, 1931, \$200,000 was set aside for playgrounds. This sum is hardly to be considered as a major factor in playground improvement, as its primary purpose was relief.

Recommendation to the Mayor by the Bureau and the Conference Committee—to the effect that, by resolution, a pay-as-you-go policy be established,

to be initiated in next year's budget and to be carried out by adequate annual budget appropriations—has not been acted upon.

The life of the proposed bond issues for playgrounds, has been set at five years. Therefore, interest costs are reduced to a minimum, and, by the use of the PWA grant, the taxpayers' cost will be less than if the work should be done on a pay-as-you-go basis, by annual budget appropriations.

PROPOSITION No. 7

Livestock Pavilion Bonds . . \$525,000

This bond issue has been placed on the ballot by the Board of Supervisors at the request of the Directors of Agricultural District 1A, a district created by State law and including the area of San Francisco and San Mateo Counties. The City Attorney has advised the Supervisors that there is some question as to whether San Francisco can authorize bonds for this project, which is located near Geneva avenue and Bayshore Boulevard, just across the county line. If the bond issue should be approved by the voters, the bonds could not be sold until validated in a test case before the Supreme Court.

The bond issue is made contingent on receipt of \$300,000 by Agricultural District 1A from the State of California. The bond ordinance provides that the bonds may not be sold nor offered for sale unless and until this State money is received by the District. In addition, the Directors of the District have made application for a 45% PWA grant estimated to amount to about \$425,000. Thus, the bond issue, supplemented by these two additional funds would provide the District with approximately \$1,250,000 for the completion of the Livestock Pavilion and appurtenances.

During consideration of the project by the Supervisors, they were advised by Directors of the District that a sum in excess of \$900,000 had already been expended on the Livestock Pavilion. It is understood in some quarters that the project, as outlined to the Supervisors six years ago, was to have cost only \$750,000, but the Directors state that the original plans contemplated an expenditure of \$1,500,000 to complete the project. The amounts already expended, and to be expended as outlined above, indicates that the cost of the project will approximate two and one-quarter million dollars and possibly more.

Several years ago, when, after a long period of controversy, San Francisco appropriated \$250,000 to match a State appropriation in the same amount for Agricultural District 1A, it was understood and definitely stated by officers of the District that San Francisco would not be called upon for additional funds, either for capital expenditure or to make up operating deficits that might occur.

There has always been a question as to the equity and desirability of spending San Francisco taxpayers' money on a project of this sort, under the control

of a State agency, the directors of which are appointed by the Governor, and with the City government having no power whatever to control expenditures, the plan of development, operating policies and the like. The above outline of past and proposed expenditures would seem to indicate that some authority to check and audit plans and expenditures should have been or should be officially vested in City authorities, if San Francisco funds were to be applied to this project.

PROPOSITION No. 8

Market Street Railway Purchase and Rehabilitation Bonds \$24,480,000

The Board of Supervisors has placed a \$24,480,000 bond proposition on the September 27th ballot providing for the purchase of the Market Street Railway properties at a cost of not to exceed \$12,500,000, and the rehabilitation, purchase of new equipment, and coordination of the system with the Municipal Railway at an estimated cost of \$11,980,000. The bond proposal as it appears on the ballot represents a compromise, as to amount, between the Board of Supervisors and the Public Utilities Commission. The original proposal of the Manager of Utilities was for a \$39,000,000 bond issue, of which \$26,500,000 was set up as the estimated cost of complete rehabilitation. Requests from the Supervisors for an estimate, based on a maximum bond proposition of \$20,000,000 (with a \$17,500,000 maximum later urged by two members of the Finance Committee) resulted in the ballot proposal of \$24,480,000.

The Board of Supervisors also adopted a resolution, concurrently with the submission of the bond measure, which provides that the Traffic Commission, if and when created by the charter amendment which also appears on the September 27th ballot, or a five-man committee to be appointed by the Mayor, report to the Board of Supervisors (1) on the price, not to exceed \$12,500,000, to be paid for the Company's properties, and (2) on the nature, character, and cost of such rehabilitation of and extensions to the property of the Market Street Railway Company, as said commission or committee shall deem proper. In this manner the members of the Board of Supervisors favoring the bond issue attempted to compromise the apparent conflict between the bond issue and the proposed charter amendment creating a Traffic Commission, and attempted, likewise, to meet objections raised as to the amount of the purchase price and the necessity of various items in the proposed rehabilitation program.

Origin and Details of Purchase Proposal

The purchase proposition was initiated in July of this year by a resolution adopted by the Supervisors, requesting that the Manager of Utilities negotiate with the officials of the Market Street Railway Company to ascertain the price

at which the Company would sell. Also, over one year ago, in July 1937, the Supervisors appropriated funds to the Public Utilities Commission for a study of and report on the possible results of acquiring the Company's system, and unifying this with the Municipal Railway under municipal operation.

The Manager of Utilities submitted his report on both matters on August 5th. Negotiations with the President of the Market Street Railway resulted in an offer of sale of \$12,500,000, which the President, under date of August 5th, stated he would submit to his stockholders. This sum was based on liquidation of the Company's outstanding indebtedness including bonds, bank debts and unpaid power bills, amounting to \$7,000,000; an estimated \$575,000 required to wind up the Company's affairs; and a 35 per cent return on the original investment in the prior preferred stock. The original holders of these shares were the 1921 bondholders who have received no return on their investment for fourteen years.

The August 5th report of the Manager of Utilities stated that the estimated cost of consolidation, re-routing, rehabilitation, extensions and repaving of the unified systems was \$26,500,000; that on the basis of a five cent fare, universal transfers, 25 year bonds and a four per cent interest rate, the average deficit would be \$1,075,000; and that "From an investment standpoint, purchase of the Market Street Railway Company for \$12,500,000 is not, in my opinion, justified. But one of the major problems confronting San Francisco today is that of transportation, and in view of the fact that the Company has franchises lasting approximately 17 more years, this recommendation (to submit the \$39,000,000 bond proposal to the voters) is worthy of your earnest consideration."

At a hearing before the Board of Supervisors on Wednesday, August 10th, representatives of various organizations opposed submission of the bond issue at the special election on September 27th on the ground that there was insufficient time for study of the proposal and on the ground also that purchase of the Market Street Railway should await study of the whole traffic and transit problem by the Traffic Commission, as provided in the charter amendment to appear on the ballot at the special election. Spokesmen for other organizations who favored the purchase indicated that they believed the bond issue proposal of \$39,000,000 was excessive and should be reduced. A further hearing on the matter was recessed until Friday, August 12th, after adoption of a resolution requesting the Public Utilities Commission to report at the August 12th meeting as to what could be accomplished in the purchase and rehabilitation of the road for a sum approximating \$20,000,000.

At the August 12th meeting, the Supervisors received a revised report from the Manager of Utilities stating that although the \$26,500,000 originally recommended would be required for rehabilitation, a start could be made with bond funds of \$11,978,000 for this purpose (involving, with \$12,500,000 for purchase, a total bond issue of \$24,478,000, later revised to \$24,480,000)

and that the balance of the sum originally recommended would have to be provided by later bond issues.

After extensive hearings on the subject on August 12th and on Monday, August 15th, at which meeting the Mayor urged the Board to submit the proposition to the people, a vote on the proposition failed to carry, the vote being seven "ayes", three "noes", and one absent. Eight votes, two-thirds of the Board, are required for submission of bond issues.

At a later hearing, on Tuesday, August 16th, a vote to submit the proposition at the September 27th election carried by vote of eight "ayes", two "noes", one absent.

Details of the Plan Not Disclosed

The first report of the Manager of Utilities on the \$39,000,000 proposal, and the second report on the \$24,480,000 revised estimate, give a general outline of the plans with some summary figures and estimates, but omit all details of the plans for reorganization, consolidation or rehabilitation. A breakdown of the rehabilitation cost estimates into major items, such as amounts expected to be used for new cars, buses, new track, etc., is submitted, but specific information on plans for rerouting, new lines or routes, abandonment of lines, substitution of trolley coaches or gasoline coaches, is not given.

The second report refers to the substitution of trolley buses for existing cable and electric cars to the full extent of the original plan. The first report, summarizing the original plan, states that all cable lines will be replaced "as far as patronage warrants", with trolley buses. The report also states that it is proposed to substitute trolley coaches for some rail lines, gasoline coaches "will be used on certain other routes" and that "New gasoline coach routes are planned in some places where neither the Company nor the City is now rendering needed service." Reference is made to abandonment of unnecessary lines, but no information as to mileage or location is given.

As all details of the plans for rehabilitation and reorganization have been omitted from official reports and as the Bureau has been unable to secure this information it is impossible to check the official estimates as to the results to be secured from the expenditure of \$24,480,000 immediately and an additional \$14,520,000 ultimately.

The present proposal—(1) that the City purchase the Market Street system for not to exceed \$12,500,000, (2) immediately expend \$11,980,000 for partial rehabilitation, and (3) plan an additional \$14,500,000 bond issue in the near future to completely rehabilitate the system, the whole recommendation involving a total of \$39,000,000—is in contrast with official reports and recommendations on the same subject when the \$50,000,000 subway bond proposition was under consideration by the Supervisors and the voters in 1936-1937. At that time, the Manager of Utilities advised the Supervisors that purchase of the Market Street system (1) would accomplish little in the

way of improved transportation, (2) would not solve the congestion problem on Market street, (3) would not eliminate two of the four tracks on Market street, (4) would not result in speedier transportation, and (5) would result only in a change in the color and name of the Market Street Railway Company's cars.

According to the Manager of Utilities, the present purchase and rehabilitation proposal will not solve the Market street congestion problem, nor will it result in the removal of two of the four tracks on Market street.

Large Deficit, to Be Met by Taxpayers, Under Five Cent Fare

The Manager of Utilities' second report, in dealing with estimates of financial results of City operation of the consolidated systems, indicates deficits of \$1,008,000 for the first year and \$1,709,000 for the fourth year, the year in which bond redemption starts. These estimates are based on a four per cent interest rate, twenty-five year bonds, with redemption to begin in the fourth year. Estimates were given, also, on the basis of a three per cent interest rate.

The estimates assume the adoption of a five cent fare, universal transfer privileges, and the loss of taxes now paid by the Market Street Railway Company to the City. It is stated that the deficits resulting from the five cent fare will have to be made up by annual tax levies. Estimates of operating results under the existing Market Street Railway fare schedule of four rides for twenty-five cents have not been included in the reports, nor are estimates given of the rate or rates of fare necessary to be charged to make the consolidated system completely self-sustaining.

The official estimates of operating results fail to set up a charge for depreciation of the Market Street Railway properties, but do provide an estimated charge of \$200,000 annually for the Municipal Railway.

In this connection, the second report (August 11th) states that retirement of the bond issue will offset depreciation on the properties reconstructed and the retirement allowance on future bonds will cover depreciation on the properties which they replace. If this policy is followed for the twenty-eight year life of the bond issue, the properties will require additional bond issues for rehabilitation, as the average life of street railway properties is about the same as the life of the proposed bond issue. This policy is contrary to sound financial operation of utilities, public or private.

Bureau Estimates of Operating Results

As all details of the plans upon which estimates are based have been omitted from the official reports, the Bureau was forced, for the purpose of comparison, to use estimates based on existing operating conditions, modified only by consideration of the effect of universal transfers, and change in car mileage by routing many lines to the new terminal at Mission and First streets instead of the Ferry loop.

The operation of the Market Street Railway Company in 1937 resulted in a loss of \$167,950 after all charges, which included a \$500,000 deduction under the heading of "depreciation." The balance remaining after all charges, including bond redemption, for 1937-38 Municipal Railway operation was \$160,463.

Operating revenues and revenue passengers for the foregoing periods were used as the basis for revenue estimates under municipal operation, less a deduction for universal transfer privileges. Operating expense estimates for the Market Street Railway mileage, under municipal operation, were based, (1) on actual Municipal Railway car hour and car mile costs for 1936-37, the last year for which a complete annual report was available, and (2) actual Market Street Railway car hours and car miles for 1937. Unit operating costs have remained fairly stationary for several years. The actual operating costs for 1937-38 for Municipal Railway mileage were used in the estimate of consolidated operating results.

Depreciation was included at the same rate for both systems, using the \$200,000 annual charge set up in the official report for the Municipal Railway as the basis for calculating the amount to be set up for the Market Street Railway. This amount is far below a depreciation charge based on the average life of street railway properties, which is held to be anywhere from twenty-five to thirty-five years. Using a deduction for depreciation equal to three per cent of the depreciable properties involved would increase the amount by several hundred thousand dollars. Accident and damage costs of both systems were used unchanged. No change was made in Municipal Railway debt charges or in the interest charge based on a 4 per cent rate for a \$24,480,000 bond issue. A deduction for loss of taxes paid by the Company of \$261,000, but not paid under City operation, remained unchanged.

The estimated results of joint operation of the two systems by the City on the foregoing basis indicated a deficit of \$2,084,000 for the initial year (prior to bond redemption) in comparison with an estimated \$1,008,000 deficit given in the official report. The Bureau's estimate of deficit resulting from consolidated operations in the fourth year, with the start of bond redemption, is \$3,048,000 in comparison with the official estimate of a \$1,709,000 deficit.

A Major Issue Involved in Proposal

A major issue involved in the proposed purchase and rehabilitation plan concerns the policy of subsidization of the street railway system from taxes in order to maintain the five cent fare. The five cent fare has been abandoned in every large city in the country except New York, where it has been maintained by heavy subsidies. It is, therefore, the nearly universal principle throughout American cities that the street car rider shall bear the cost of transportation whether the system is privately or publicly owned.

Another important issue raised by the submission of the purchase plan at this time, is its possible conflict with the Traffic Commission proposal, recommended by the Citizens' Committee on Rapid Transit, and on the same ballot as a charter amendment. The purpose of the Commission, as stated in the Citizens' Committee report, is to carry out a comprehensive traffic and transportation program providing San Francisco with modern mass transportation, increased pedestrian safety and a free flow of traffic with a minimum of congestion.

Whether or not the proposed Traffic Commission can successfully carry out its whole purpose, if the purchase proposition is approved, is subject to question.

PROPOSITION No. 9

Traffic Commission—Charter Amendment

This charter amendment will, if adopted, create a five-man Traffic Commission with the responsibility for investigating and submitting recommendations for the relief of all phases of the traffic problem, including vehicular, street railway, bus and pedestrian. The measure will centralize authority on all factors involved in the traffic and transportation problem in the proposed Commission, to be appointed by the Mayor for a period of three and one-half years only. For that period of time, which may be extended by the Supervisors, if necessary, for one more year, the Traffic Commission, serving without pay, will possess powers of investigating and reporting on all matters affecting traffic and transportation, now delegated to various City agencies, such as the Public Utilities Commission, Engineering Bureau, the Department of Public Works, City Planning Commission, Police Department and other agencies. One cent must be provided annually for three years in the tax rate for the work of the Commission.

The measure was placed on the ballot by the Supervisors upon the recommendation of the Citizens' Committee on Rapid Transit (Curtis D. O'Sullivan, chairman). This Committee was appointed by the Mayor to find a solution for the traffic problem, following defeat of the \$50,000,000 subway proposition. After months of study and consultation, the Committee came to the conclusion that an officially created body with broad powers and ample funds would best serve as the agency for solving the problem of traffic congestion. Such an agency could employ expert technical help and the reports on all phases of the problem could be expected to cover the whole problem, rather than just parts, and to be authoritative and non-partisan.

Many reports have been made on the transit or the traffic problems in the past 25 or 30 years, each dealing with one phase of the problem only. Coordination of useful material from all past surveys, and consideration of the whole problem, are prime essentials in the present situation.

Such arguments as have been raised against the measure appear to be minor. For example, the possibility of a three and one-half year delay in reach-

ing a solution has been raised. However, it is stated that as soon as the Traffic Commission starts functioning and completes various phases of the studies, interim reports will be submitted for action. No adequate alternative solution to the plan embodied in the amendment has been offered. The work of the Traffic Commission, if the amendment is adopted, should result in a modern developmental plan for San Francisco, that can be of immeasurable benefit to the City.

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Vol. XVIII

OCTOBER 27, 1938

No. 2

November 8th Ballot Measures

State Propositions,

No. 1 to 25

City Propositions,

No. 1 to 5

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*"An incorporated non-partisan citizens' agency to study public business, cooperate
with officials and specifically work for economy and efficiency in municipal affairs."*

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STATE PROPOSITIONS

Proposition No. 1

LABOR (INITIATIVE MEASURE)

This initiative measure is designed to regulate picketing and boycotts in labor disputes, to prohibit seizure of private property (the sit-down strike), and to prevent interference with the use of highways and other public places, coercion or intimidation, and the so-called secondary boycott.

This, being a regulatory measure and therefore not within the Bureau's field, is not analyzed nor commented on here.

Proposition No. 2

REGULATION OF POUNDS (INITIATIVE MEASURE)

This initiative measure is designed to prohibit the sale or gift of unwanted domestic animals, by any public or private pound, to any school, university or similar institution, for scientific or experimental purposes.

As this is a regulatory measure, and therefore not within the Bureau's field, it is not analyzed nor commented on here.

Proposition No. 3

MOTOR VEHICLE TAXATION AND REVENUE

This constitutional amendment would add a new article, article XXVI, to the Constitution. It provides that all gasoline tax money and motor vehicle registration fees now or hereafter collected shall be used exclusively for the following purposes: (1) State highway maintenance and development; (2) support of the State Department of Motor Vehicles, including the State Highway Patrol; (3) allocation to cities and counties for street and highway purposes; and (4) a continued limited use for the retirement of local street and highway bonds. As these are now provided by State law, proponents and opponents agree that the purpose of the amendment is to prevent, permanently and by constitutional provision, the diversion of motor vehicle fuel taxes and motor vehicle registration license fees to purposes other than those now provided by law.

Proponents of the measure contend its adoption will end attempts, such as have been made in the past, to divert moneys paid by California motorists for the maintenance and development of highways and for the support of the Department of Motor Vehicles; also, that the demands of constantly growing traffic make it imperative that the gasoline tax and registration fees be protected in every possible manner against diversion for non-highway purposes.

On the other hand, arguments advanced in opposition to the measure state that this purpose is accomplished under existing laws and therefore the amend-

ment is unnecessary; that the amendment would serve only to increase the rigidity and inflexibility of State government; and that the "freezing" of any tax fund for special purposes by constitutional amendment is unsound fiscal policy, as it prevents or limits budgetary control by the Legislature.

Proposition No. 4

HIGHWAY TRAFFIC AND SAFETY COMMISSION (INITIATIVE MEASURE)

This initiative measure would add a new article, Article 17, to the Constitution. It provides that all State highway system functions, including construction, maintenance, operation, policing and licensing drivers shall be consolidated in one department. A five-man full-time Highway and Traffic Safety Commission would be appointed by the Governor, with the consent of the Senate. This commission would succeed to the powers and duties of the existing Highway Commission, which would be abolished. It would take jurisdiction over all matters relating to highways now under the Director or Department of Public Works and the Motor Vehicle Department, excepting registration of vehicles and collection of fees and taxes in connection therewith. Terms of the Commissioners would be 10 years, with the Senate given the power of removal by a two-thirds vote. The Legislature is given the authority to fix the salaries of the Commissioners, but each Commissioner will receive \$6,000 per annum until so fixed. The measure is sponsored by the two automobile clubs.

Proponents of the measure contend that a more permanent type of agency than the existing Highway Commission is essential in order to secure sound, long-term highway planning. The present Highway Commission serves without pay and at the pleasure of the Governor. There is apparently no criticism of the efficiency of the department, as now constituted. Proponents also contend that improvements designed to increase highway safety require consolidation, under a single administrative unit, of traffic regulation, control of drivers and highway construction.

The present type of Highway Commission—part-time and unpaid—has apparently had the desirable effect of keeping the members of the Commission out of administration, and centering administrative control of the department in a full-time, expert, administrative head, the Chief Engineer. Full-time Commissioners, in San Francisco and other municipalities where they have been established, although laymen, have invariably taken over details of administration that should be handled by expert administrative heads, with consequent loss of efficiency in the departments controlled by them.

Motor vehicle control, including licensing, registration and policing, on the one hand, and highway or street construction on the other hand—whether in the State or a municipality—appear to be unrelated governmental functions. Throwing unrelated units together under a single administrator may easily

result in lack of proper interest in and supervision over—and consequent loss of efficiency—in either one or the other. Improved procedure and supervision for each of these two functions separately, with adequate records and reports, would, in all probability, meet any criticism to which the existing organizations may properly be subject.

Proposition No. 5

FISHING CONTROL (INITIATIVE MEASURE)

This initiative measure is designed to restrict operations in State waters of fishing boats which deliver their catches outside of the State, and to require that operators thereof apply for Fish and Game Commission permits.

This, a regulatory measure, is not within the Bureau's field, and therefore is not analyzed nor commented on here.

Proposition No. 6

TAXATION OF INSURANCE COMPANIES

This measure would add a new section, Section 14- $\frac{3}{4}$ of Article XIII, to the Constitution, revising the method of calculating taxes on insurance companies doing business in this State, other than ocean marine insurance companies.

Under existing provisions, the tax on insurance companies is based on the amount of gross premiums received from business done in this State, less return premiums and less reinsurance in companies authorized to do business in this State. (Reinsurance is a common practice and consists of the original insuring company subletting, as it were, portions of a policy to other companies so as to relieve the original insurer of the sole liability on a large risk.) The proposed new section eliminates the exemption for reinsurance; it also eliminates the tax on premiums received for reinsurance, which, it was assumed under the present law, would be collected from the reinsuring companies.

On January 31, 1938 the Supreme Court of the United States, in the case of Connecticut General Life Insurance Company vs. Johnson, held that, although the original company receiving the gross premiums can take the deduction for the reinsurance premium paid to another company, the second company does not have to pay a tax to the State on the reinsurance premiums received, unless the contract of reinsurance is made in California. Under this decision there can be no tax collected by the State, either from the original company or from the reinsuring company, on the amount of premiums represented by reinsurance contracted outside the State.

It would appear that the proposed amendment will remedy this condition by eliminating consideration of reinsurance premiums, either as deductions by the original company or as premiums taxable to the reinsuring company. This being done, all insurance business done in this State will be taxed, and no such business will be taxed more than once.

The adoption of this measure, approved by the insurance companies and the State Insurance Commissioner, will clarify and simplify the administration of the law and will retain as revenue to the State the amount, about \$1,000,000 per year, which otherwise will be lost as a result of the Supreme Court decision.

Proposition No. 7

RELIEF ADMINISTRATION

This measure would add a new section, Section 11, to Article XVI of the Constitution, for the purpose of amplifying Section 10, the provisions of which now govern the administration of unemployment relief in the State. The amendment would empower the Legislature to provide, by law, for the administration of relief, and to that end, (a) to modify, transfer, or enlarge the powers vested in the Relief Administrator, the Relief Commission or any other agency or officer concerned with the administration of relief, or of laws appertaining thereto; (b) to amend, alter or repeal any laws relating to the relief of hardship and destitution; (c) to provide for the administration of relief either directly by the State or through the counties; (d) to grant aid to the counties; and (e) to make such provision for reimbursement of the counties by the State, as the Legislature shall deem proper.

The amendment is declared to be necessary, due to an inadvertent provision in 1934 relief legislation. State unemployment relief, as distinguished from the administration of pensions for widows, needy aged and the blind, is administered by a State Relief Administrator, under the supervision of the State Relief Commission. This was created and vested with its powers by constitutional amendment in 1934, and was intended as a temporary agency only to supervise the expenditure of the 1934 \$24,000,000 unemployment relief bond fund. At that time, there existed the State Department of Social Welfare, which then, as now, administered pensions for the aged, widows and the blind. In 1937 the Legislature passed an act transferring the administration of *all* relief to the Department of Social Welfare. This act later was declared unconstitutional by the Attorney-General, so the foregoing two agencies still exist for dispensing relief in the State. Also, State unemployment relief is completely separate from, and in part, parallels county aid.

These factors lead to confusion in determining the form of aid to which an applicant may be entitled, to friction due to different standards between the State and the individual counties, and to duplication in investigating eligibility and in keeping records. Further confusion is caused by the segregation, by the State Relief Commission, of indigents into two classes—"employables" who are the responsibility of the State, and "unemployables" who are the responsibility of the counties. In San Francisco County, and no doubt elsewhere, the definition of employability as adopted by the State has, at times, been at variance with the definition adopted by the county.

The proposed amendment, prepared by a representative State-wide com-

mittee, is advanced as a means of ending such confusion and duplication as now exists in the administration of relief, by empowering the Legislature to enact legislation necessary to meet the situation.

Under the wide scope of the powers written into the proposed amendment, the Legislature could provide for the centralization of all State relief activities in one department, and for the adoption of general rules and regulations for administering relief, both of which should result in economies of operation, efficiency of administration, and uniformity and greater equity to those served. The Legislature could also, under the amendment, return the administration of relief to the counties under general State regulation. This is deemed desirable because the problems of relief in each county vary according to the type of population, topography, climate and industrial conditions.

Proposition No. 8

APPORTIONMENT OF FUNDS TO POLITICAL SUBDIVISIONS

This constitutional amendment would give the Legislature power to apportion State funds to cities and counties, with no restrictions as to the amount and use thereof. It would amend Section 31 of Article IV, which now prohibits the Legislature from giving or lending State credit, cash, or thing of value to any individual, municipal or other corporation, by adding the following paragraph: "And provided further, that notwithstanding anything contained in this or any other section of the constitution, the Legislature shall have power by general and uniform laws to provide for the apportionment of funds out of the State treasury for county, city and county, city or other municipal purpose."

Proponents of this amendment state that Section 31 now operates to prohibit the cities and counties from using, for general municipal purposes, revenues (subventions) allocated to them by the State from the "in lieu" motor-vehicle tax and liquor license tax, both of which formerly were collected locally and used for local purposes; and that this prohibition, together with the loss of local revenue resulting from the transfer of the motor vehicle and liquor license taxes to the State, has or will result in increased local taxes on other property unless the restrictions are removed by adopting this amendment.

It is true that cities and counties may not use, for municipal purposes, revenue allocated to them by the State. Motor vehicle subventions from the State must be used for local street work or local motor vehicle regulation. Liquor license subventions must be used for local policing or other local costs incidental to the liquor business. Although the local costs for these purposes, in most cities and counties, are in excess of the amounts of the subventions—and thus no problem is created—the amendment, if limited solely to "unfreezing" these two subventions, would not be objectionable.

But the amendment authorizes the Legislature to apportion State funds

to local units for any local purpose. The situation relative to the two subventions mentioned above does not warrant the drastic reversal of policy embodied in the amendment. The amendment does not provide for any restriction or check upon the Legislature. And, by classification of cities according to population, "general and uniform" laws applying to "all cities of the . . . class" (there may be only one) can lead to discrimination. This is a dangerous and undesirable possibility under the provisions of the amendment.

Proposition No. 9

VETERANS' TAX EXEMPTION

This measure would amend Section 1-1/4 of Article XIII of the Constitution, to permit California war veterans to apply all or part of their existing \$1,000 property tax exemption to motor vehicles owned by the veterans. Prior to 1935, when motor vehicles were taxed by the cities and counties in the same manner as other personal property, veterans' motor vehicles were subject to the exemption. Following the adoption in 1935 of the present system of taxing motor vehicles, with administration vested in the State Board of Equalization, the Attorney-General ruled that the motor vehicle "tax" is not a tax, but a license and therefore that the veterans' exemption does not extend to the motor vehicle "in lieu" tax.

It is stated that adoption of this amendment is necessary to restore to the veterans tax exemptions granted by the Constitution, and which were in effect prior to 1935. It can be contended, on the other hand, that extension of permanent tax exemption privileges of every kind and character should be stopped and many of the existing exemptions repealed. Every exemption simply means that the property remaining on the tax rolls must bear a larger burden.

Proposition No. 10

OIL LEASES ON STATE-OWNED TIDELANDS AT HUNTINGTON BEACH (REFERENDUM)

This measure is intended to authorize tideland oil drilling under lease after competitive bidding, on State-owned tidelands at Huntington Beach.

Being primarily a regulatory and not a State revenue measure, and, therefore, not within the Bureau's field, it is not analyzed nor commented on here.

Proposition No. 11

STATE AND COUNTY BOARDS OF EQUALIZATION

This proposed constitutional amendment, which would amend Section 9 of Article XIII, has as its main purpose the reorganization of the five-man State Board of Equalization. This would be effected by eliminating the State Controller, now an ex-officio member of the Board, and providing for the election of a new member (four now elective, from each of four districts)

from a new district, created by the amendment and consisting of Los Angeles County. The amendment specifies the counties that will comprise each of the five districts, and provides four year terms for the members of the Board. It also provides that the Legislature, by two-thirds vote of each house, may redefine the districts and change the terms of office of members of the Board. This is an unusual grant of power with respect to elective officials.

It is stated that the principal purpose of the amendment is to give greater representation to Los Angeles County, which has 43 per cent of the registered vote of the State. To this purpose, considered alone, there can be little objection.

However, there is now a four-man, full-time elective Board, each member acting as a full-time administrator in his own district. The amendment would add another full-time elective district administrator. This form of organization and method of operation is not sound from the standpoint of good governmental practice. Adoption of the amendment would not correct this faulty structure, but rather would add to its unsoundness.

Proposition No. 12

SAN FRANCISCO BAY EXPOSITION

This constitutional amendment, adding Section 1.6 to Article XIII of the Constitution, if adopted, will exempt from taxation all of the property owned by the San Francisco Bay Exposition Company and by all exhibitors at the 1939 Golden Gate International Exposition. Although this is an extension of tax exemption privileges, it is a temporary one, for a temporary quasi-public project, on publicly owned and publicly developed property. A similar tax exemption was voted by the people for the 1915 Panama-Pacific International Exposition.

This measure will largely affect property not now taxed by any State agency. This is due to the fact that the land is publicly owned, the property of the Exposition Company is newly created for the duration of the exposition only, and many of the exhibits will come from foreign lands and other states. Furthermore, the exemption on exhibits is limited to the duration of the exposition. The improvements at the exposition grounds, under the terms specified when the Exposition Company undertook to stage a Fair, must be removed within a year or so after the Fair ends. Exposition officials state that many art exhibits of great value cannot be secured, if such exhibits are subject to taxation.

Proposition No. 13

REVENUE BOND ACT OF 1937 (REFERENDUM)

This Act was passed by the Legislature in the regular session in 1937, and has been held up by referendum. If adopted, it would authorize the issuance and sale of revenue bonds, without limit, for the acquisition, construction,

extension, repair or replacement of any public utility, by any city, county, district or other local governmental agency, subject only to a majority vote of the electorate of the particular local unit involved. The Act confers these broad powers on every local political agency in California, in addition to the cities and counties thereof. Proponents of the measure claim it will facilitate the acquisition of utilities by the public and advance the cause of public ownership.

The three-man public utilities commissions that, under the Act, may be created by any city, county or district would be elective (unless a different number and other method of selection is provided by a local charter, such as in San Francisco). This would insure, in most cases, that such local utility management, rate-fixing, and the like would be "in politics."

The principal purposes of the measure are to avoid charter or other legal debt limits, and to substitute a majority vote for the two-thirds vote of the people now required to authorize bond issues. Thus, the Act, if approved, will make it easier to go into debt, for each of the hundreds of cities and districts in the State. The debt burdens of reclamation and irrigation districts in the State, which, during recent years, caused nearly all of such districts to partially or wholly default on their bond interest and redemption charges, would seem to indicate that it would be sound policy to make it more difficult to go into debt, and unsound policy to make it easier, as this measure provides.

Peculiarly enough, although the Act provides that each of the hundreds of cities, districts and other local units may embark on any public utility enterprise by a majority vote on a revenue bond issue, it also provides that utility property so acquired may not be sold unless such sale is authorized by a two-thirds vote. Under this, it would appear that the safeguard is applied at the wrong point in the proceedings, and that it is to be made difficult for the people of a city or district to dispose of a utility, if, after acquiring it, they cannot successfully operate it.

Although it is expressly stated that bonds issued under the terms of this Act shall not be a lien on property, there is no prohibition against accepting tax funds. In fact the Act expressly provides for the use of funds appropriated "from any source whatever" to maintain and operate utilities. In the event a local utility failed to make sufficient revenue to pay expenses and higher rates failed to secure the necessary funds, taxes could be, and probably would be, used to aid in paying expenses.

Revenue bond legislation for specific projects, and for specified amounts, has been submitted to the voters of San Francisco on four separate occasions during the last ten years, and in each case was decisively voted down. This legislation, blanketing any and all types of utilities, and unlimited as to amount, is more objectionable from the San Francisco standpoint than the local measures rejected in the past, and would pave the way toward danger for many of the smaller cities and districts in the State.

Proposition No. 14

REMOVAL OF JUDGES UPON CONVICTION OF CRIME

This constitutional amendment would add a new Section 10a to Article VI of the Constitution. It would provide that, upon conviction of a crime involving moral turpitude, a judge or justice of any court in the State shall be suspended from office without compensation until conviction becomes final, and on such final conviction shall be disbarred by the Supreme Court. This legislation is necessary as there is now no specific provision under which a judge may be removed from office on conviction of a crime. In a recent case in Southern California, a judge so convicted continued to hold office and receive pay for more than a year.

Proposition No. 15

JUDICIAL COUNCIL

This constitutional amendment would amend Section 1a of Article VI of the Constitution for the purpose of reorganizing the Judicial Council. At present the Council is composed of the Chief Justice of the Supreme Court and ten other justices and judges of the various courts, assigned to the Council by the Chief Justice. This proposed amendment would increase the membership of the Council to fifteen, by decreasing the number of judges to eight and adding three members of the State bar appointed by the Board of Governors thereof, two lay members to be appointed by the Governor of the State, and the Chairmen of the Judiciary Committees of the Senate and Assembly.

The existing powers and duties of the Judicial Council are to adopt rules of practice and procedure for the various courts; to simplify and improve the administration of justice; and to make recommendations to the Governor and the Legislature for improving laws relating to judicial procedure. To these there would be added, by this amendment, the power to adopt rules of judicial conduct for the guidance of the judges in the various courts.

Although it is stated that the Judicial Council favors the measure, it would appear that reducing the representation of the bench by three and providing for seven non-judicial members, two to four of whom may be laymen, may tend to interject extraneous considerations into the work and organization of the Council that do not now exist. Should such conditions develop, the functioning of the Judicial Council will not be improved, and may be impaired.

Proposition No. 16

RETIREMENT OF JUDGES

This proposed amendment would add a new section, Section 27, to Article VI of the Constitution. It would ratify Chapters 770 and 771, Statutes of 1937, providing for the retirement of judges; would make effective those provisions of Chapter 770 empowering the Governor, with the approval of the

Commission on Qualifications, to retire a judge for mental or physical disability; and would provide that any voluntarily retired justice or judge would continue to be a judicial officer and would be subject to assignment for the exercise of judicial functions by the Chairman of the Judicial Council.

The retirement of a judge usually will be due to conditions of health or age that make his future, full-time service as a judge of doubtful value. There are exceptions to this, but they are unusual. Therefore, there is a question as to the desirability of that phase of this constitutional amendment, the purpose of which is to establish the legality of assigning retired judges to judicial work. It is contended, relative to the other purposes of the amendment, that it is desirable to provide for the involuntary retirement of judges for mental or physical disability, and to remove any question as to the validity of statutory provisions authorizing the retirement of Superior Court judges.

Proposition No. 17

INITIATIVE

This measure would amend Section 1 of Article IV of the Constitution. It would provide that initiative petitions—by which proposed constitutional amendments and State laws are initiated by the people and submitted to the voters—be filed with the Secretary of State at least 130 days (instead of 90 days as at present) prior to the date of the election at which the initiated measure is to be voted on. This increased time will not interfere with the right or use of the initiative.

The longer period will give the Secretary of State more time to check petitions, and give the State Printer more time for printing the pamphlets, required by law, that are sent to voters. Also, the increased time will aid in securing an unhurried judicial review of an initiative measure, when points relative to its legality are raised.

Proposition No. 18

STATE MONEY

This amendment, adding Section 29 to Article IV of the Constitution, would give the Legislature power to provide that any money belonging to the State in control of any State agency or department (except money in the control of or collected by the Regents of the University of California) "shall be held in trust by the State Treasurer prior to its deposit in the State Treasury by the State agency or department as may be required by law." It also provides that any money so held in trust may be disbursed by the State Treasurer upon the order of the State agency or department in the manner permitted by law, and that money held in trust may be deposited in banks to the same extent that money in the State treasury may be deposited in banks.

The stated purpose of this amendment is to authorize legislation under which all State moneys shall be accounted for to the State Treasurer and there-

after deposited with various banks in the State in interest bearing accounts. At present, banks which are members of the Federal Reserve System are prohibited from paying interest on public funds deposited in active bank accounts. It is stated that if this amendment is approved, the State funds now in active bank accounts, averaging \$8,000,000 daily balance, could be deposited in inactive accounts, resulting in an earning to the State of between \$150,000 and \$200,000 annually in interest.

Such an earning or saving is desirable. Undesirable, however, is an unintended effect of the measure, in eliminating the safeguard which provides (Section 22, Article IV) that "no money shall be drawn from the Treasury but in consequence of appropriation made by law, and upon warrants duly drawn thereon by the Controller." Under the proposed amendment the Controller's power of review and approval could be eliminated, and the State Treasurer allowed to make disbursements with no other authority than the order of the State agency or department which had deposited the money. This could result in all State funds being held in trust by the State Treasurer and disbursed by him without any control being exercised thereon. Therefore, the amendment does not appear to be in the best interests of the State.

Proposition No. 19

LENDING OR GIFT OF PUBLIC MONEY

This would amend Section 31 of Article IV of the Constitution by allowing any surplus in the Veterans' Farm and Home Building Fund to be returned to the veterans who are, or have been, purchasers under the Veterans' Farm and Home Purchase Act of 1921. Such distribution would be made to each purchaser in the ratio that his payments into the fund bear to the total of all payments into the fund, from which such surplus is created.

It is stated that the intention is not to distribute the surplus until outstanding bonds have been retired, which, it is estimated, will be about February 1, 1956. This being the case, there seems to be no reason for approving such a measure at this time.

However, no definite date for distribution is contained in the amendment and the probabilities are that, if adopted, pressure soon would be brought to bear to distribute immediately any surplus now existing. This would eliminate the "cushion" now provided by the existing surplus, against future reversals or losses, similar to those suffered by the Fund in the past, due to reposessions or other unforeseen events. It seems unwise to distribute what amounts to a reserve against contingencies, which would be possible, and probable, if this amendment is adopted.

Proposition No. 20

TAXATION (INITIATIVE MEASURE)

This initiative amendment, commonly designated as the "single tax", would

repeal part of Section 34a of Article IV, and would add Sections 5 and 5.5 to Article XIII of the Constitution. Its main provisions are as follows:

1. It would repeal the following taxes now collected by the State: Retail sales tax, use tax, motor vehicle license tax ("in lieu" tax), and private car tax. It would retain, by specific mention, the following State taxes: motor vehicle fuel tax (gas tax), use fuel tax, corporation franchise tax, personal net income tax, inheritance tax, and severance tax. The amendment provides for the retention of taxes, licenses and fees for police or regulatory purposes, but does not enumerate the particular taxes to be retained. It also provides that existing license taxes or fees shall be continued, except as specifically provided in the act. From this, it would appear that all existing taxes, except those specifically repealed by the amendment, would be retained.

2. It would prohibit the future imposition of any sales, use or excise tax, license or fee, except for police or regulatory purposes, and prohibit, also, any future taxation of tangible personal property and improvements.

3. The measure would exempt, over the next ten years, at the rate of 10 per cent a year, all taxes on improvements and on tangible personal property, including planted or growing crops, ditches, wells, roads, etc., "or other alterations of or additions to nature made by man." It provides that the present assessed value of improvements and tangible personal property shall not be increased. It would immediately exempt from taxation, to the extent of \$1,000, the assessed value of improvements on land occupied by the owner as a home.

4. It would remove the present constitutional limitation of a State ad valorem tax on property (that not more than 25 per cent of the State's revenue to be so raised—no State ad valorem tax since 1912). It would likewise remove the existing tax-rate limitations of cities, counties, and cities and counties, (assuming that such limitation, if specified by an existing local charter, can legally be amended by this constitutional amendment).

5. The measure provides that any existing or future extension of time for the payment of taxes shall apply only to improved property in one parcel and ownership, of an assessed value not exceeding \$5,000.

6. It continues the present constitutional provision that the public school system and the State University shall have first call upon the revenues of the State.

7. It provides that the measure "shall be deemed inoperative" to the extent that any bonds or other obligations of any county, city and county, municipality or district, outstanding at the time of the adoption of the amendment, specifically require the imposition of taxes upon improvements or tangible personal property, for interest and redemption charges. (San Francisco bonds contain no such provision, nor do California municipal bonds in general. Therefore, this apparent palliative would have little or no effect in lightening or simplifying the tax problem that the measure would impose on the cities, as well as on the State.)

Analysis of Measure:

Analysis of this measure with respect to its effect on landowners, large and small, and upon business in general, has been given widespread publicity by the press and many business and civic organizations. This analysis, therefore, will be restricted to consideration of the effect of the proposed amendment upon the State and local governments.

The State taxes which this measure would repeal are estimated to produce the following amounts for the fiscal year 1938-39:

	General Fund	Special Funds	Total
Retail Sales and Use Taxes	\$86,300,000	\$1,800,000	\$88,100,000
Motor Vehicle License Tax	7,875,000	4,712,000	12,587,000
Private Car Tax	250,000		250,000
Totals	\$94,425,000	\$6,512,000	\$100,937,000

Total revenues of the State General Fund from all sources for 1938-39 are estimated at \$168,225,000. Therefore, about 60 per cent of these General Fund revenues would be eliminated by the passage of this amendment.

Effect on State:

Over one-half of the State's General Fund revenue goes to maintain the public schools; one-third is required to provide unemployment relief and pension payments to the needy, aged, blind, widows and orphans. As shown above, if this measure should be adopted, \$101,000,000 of present State revenue would be cut off. If this amount of revenue is not wholly made up from other sources, the public school system, unemployment relief, and pension aid to the needy aged, blind, widows and orphans, as well as other governmental functions and purposes, will suffer, due to the necessity of curtailing expenditures for these purposes. As the amendment provides that the public school system and State University shall have first call on State revenues, the first services to be curtailed probably would be general government agencies, unemployment relief and pension aids.

If the \$101,000,000 of General Fund revenues lost to the State through the repeal of these taxes are to be replaced, they can come, in the main, from only one source—a crushing State tax on land. By the terms of the measure there would be no limitation upon the amount or rate of taxes that the State may levy on land.

The State does not now tax land. All present ad valorem taxes are levied by cities and counties for the maintenance of local governmental functions. Since the amendment would exempt improvements and personal property from taxation, it would cause all assessments to be transferred to land alone. There would be no distinction as between improved and unimproved land in

the same area. A vacant lot would be taxed as much as a contiguous or adjacent lot on which there is an office building, store or apartment house.

Effect on Cities and Counties:

The elimination from local assessment rolls of the present assessed value of improvements and personal property, together with the loss of motor vehicle tax subventions from the State, would mean that cities, counties, and districts would face the necessity of heavy curtailment in services, or, in order to raise the same amount of taxes as heretofore, that the cities, counties and districts would have to increase their tax rates on land, or transfer to land the amounts previously assessed against improvements and personal property. In either event the tax bill will be increased the same amount.

Total taxes collected for the fiscal year ended June 30, 1937 throughout the State, by all cities and counties, aggregated \$289,395,853. Of this, \$131,089,686 came from taxes on land, and the balance, \$158,306,167, from taxes on improvements and personal property. The transfer of this \$158,306,167 to an additional tax on land would mean an average increase of 121 per cent in the tax levy on land. In addition, if the \$101,000,000 now collected from the retail sales and other taxes, repealed by this amendment, were raised by a State tax on land, the total average increase in taxes on land resulting from this amendment would be 198 per cent. In San Francisco this would mean that an unimproved lot with an assessed valuation of \$1,000, on which the 1938-39 tax bill will be \$40.40, would be subject to a tax of \$120.39.

Ruinous to All Governmental Units:

The inevitable result of such a condition can be forecast by anyone. Many owners of unimproved property whose tax bills would be so heavily increased could not pay the increased taxes. The land would be sold to the State, thus removing such property as a source of future revenue and thereby narrowing the tax base. Resultingly, tax rates would have to be raised on the remaining property to compensate for the loss of revenue from such delinquent property. This in turn would result in more delinquencies, further sales to the State with a consequent further narrowing of the tax base.

This vicious circle, beginning with those least able to pay, would continue until only the very wealthy would be able to retain their properties. In the meantime, due to decreasing revenues, a breaking down of governmental functions would be taking place which, if unchecked, would result in chaos. First to suffer, probably, would be the recipients of State aid—the unemployed, the needy aged, blind and children; next, probably would be the least important State and local functions; and eventually the constriction would affect such vital governmental functions as the police, fire and health services.

By no method of analysis or logic can this measure be deemed to be in the public interest.

Proposition No. 21

CHURCH, ORPHANAGE AND COLLEGE TAX EXEMPTIONS

This constitutional amendment would amend three sections of Article XIII of the Constitution, to provide exemption from taxation of all furnishings and other personal property within buildings used for religious worship, which buildings are now exempt from taxation. The measure also proposes to exempt all personal property (buildings now exempt) used in connection with institutions sheltering 20 or more orphans or half-orphans.

This would represent another permanent tax exemption. It would be a wiser policy to eliminate many of the existing exemptions, rather than adding to their number. Every tax exemption adds to the burden of the taxpayer whose property is not exempt.

Proposition No. 22

CITY CHARTERS

This measure would amend Section 8 of Article XI of the Constitution. It provides that initiative petitions proposing amendments to City charters may be filed at any time (now limited to not less than 60 days prior to a general election) and provides that the legislative body of the City shall submit such measures at the next regular municipal election, or at any special election called for that purpose.

This amendment appears to be an attempt to clarify existing provisions of the Constitution. Section 8 provides that the charter of any city may be amended by proposals submitted by the legislative body on its own motion or on petition signed by fifteen per cent of the registered voters, or both. "Such proposals shall be submitted to the electors at either a special election called for that purpose or at any general or special election." This provision is followed by the qualification that the petitions must be submitted not less than sixty days prior to the general election next preceding a regular session of the Legislature. This qualifying provision has been stricken from the proposed amendment and a clause inserted to clarify the procedure for handling initiative petitions and submission to the voters at any election.

Adoption of this amendment would place initiative charter amendments on an equal footing with amendments originating with the legislative body. Desirable amendments that may be sponsored by representative citizen groups may be blocked by refusal of a local legislative body to place these on the ballot at a general election. It is then too late for such groups to get such a measure on the general election ballot by initiative petition, under existing constitutional provisions. If the measure is to be initiated, it must be postponed to the next general election, two years later. This amendment would permit such a measure to be initiated in time for ratification at the same session of the

Legislature at which general-election amendments are ratified, and avoid the two-years' postponement referred to above.

Proposition No. 23 **LEGISLATIVE HELP**

This measure would amend Section 23a of Article IV of the Constitution. It would provide that the allowance for services and expenses of the State Legislature, now \$300 per session day for each House, be increased to not to exceed \$10 per session-day per member. It is stated that this would amount to double the present allowance, an increase of approximately \$70,000 per regular legislative session.

The Bureau has made no study of and has no direct information on the needs of the State Legislature. The measure was passed by both Houses by a heavy favorable vote. On the other hand, some members and ex-members of the Legislature contend that the present allowance would be sufficient if political appointees were eliminated and "well-trained and qualified persons are employed."

Proposition No. 24 **LEASING STATE-OWNED TIDELANDS FOR OIL DRILLING**

This is an act that was adopted by the 1937 Legislature and was thereafter held up by referendum petition. Subsequently a special session of the Legislature in 1938 repealed the statute which this act sought to amend. Therefore this measure, even if approved by the people, would be inoperative and its author has asked that the people register a "no" vote thereon.

Proposition No. 25 **RETIREMENT LIFE PAYMENTS (INITIATIVE)**

This initiative amendment, commonly designated as "Thirty Thursday", would add a new article, Article 32, to the State Constitution, providing for payment of 30 "warrants" of \$1.00 "denomination" each week to every person in California aged 50 years or over who is a qualified elector, who is not employed and who is not an employer.

The amendment is quite lengthy and, as an economic and taxation measure, is unworkable and doomed to failure, should it be adopted. As its economic fallacies, effect on business, and the like, have been widely publicized by the press and civic and business organizations, this analysis will be restricted to its effect on State and local government, should it be adopted.

Provisions of the Amendment:

As stated above, the amendment provides that any qualified elector of 50 years or over who is not employed and who does not employ anyone in the production of goods for hire or sale, shall be entitled to receive \$30 in "retire-

ment compensation warrants" each Thursday for life. The proponents estimate that 500,000 persons are eligible to receive these warrants.

These "warrants"—which are not warrants in the sense that the term is generally used and understood—are described in the act as self-liquidating, such liquidation to be accomplished through the affixation of "warrant redemption stamps." On the back of each warrant there will be spaces for 52 two-cent stamps, such stamps to be purchased from the Administrator of the Act, with lawful money of the United States. Those receiving retirement life payments are not required to affix stamps on the warrants if they "spend" or get rid of them in one week, but on the Thursday following their issue and each Thursday thereafter for 51 weeks, those who find themselves possessed of any warrants on that day must affix a two-cent warrant redemption stamp on each warrant, if the warrant is to be kept "current." Thus, it is assumed that after the expiration of 53 weeks from the date of issue, there will have been paid to the Administrator for the purchase of the 52 stamps affixed to each warrant, the sum of \$1.04 in lawful money of the United States, with which the warrant will be redeemed. The additional four cents per warrant will be used to defray such expenses of administration that cannot be paid in these warrants. Each fully stamped warrant is to be redeemed only if presented after the expiration of 53 weeks, and before the expiration of 57 weeks from the date of issue.

Use of Warrants in Governmental Payments:

The amendment further provides that these warrants shall be accepted by the State and all the counties, cities, boards, districts, commissions and all other political subdivisions of the State, as well as all subdivisions of any county or city in the State, in full payment of any licenses, taxes, fees, royalties, rents, services, or for "any and all debts or obligations of every kind and character due them, including the purchase price of real or personal property."

It also provides that compensations of all officials and employees of the State, cities, counties, districts and other political subdivisions, shall be payable in warrants up to 50 per cent of the amount of such compensations.

It further provides that when any official of the State, or its subdivisions, purchases or contracts for supplies, equipment or any other merchandise or services, such official shall prescribe and require that such purchases or contracts be payable up to 50 per cent in these warrants.

The Administrator is authorized to designate each bank and branch bank in the State, to act as his agent in issuing the warrants, selling the redemption stamps, etc. If the banks cannot accept such appointment (and, through their State association, they have stated that they cannot), he is then authorized to set up his own agency headquarters, one in a ground floor location near each bank or branch (1097 throughout the State), to employ agency managers and clerks, and start operations. The Administrator's appointments are not made subject to civil service.

The measure provides that the initial expenses of operation shall be paid out of the General Fund of the State, in an amount not to exceed \$700,000.

It likewise provides that amendments to the article may be proposed by the Administrator. He is given power to call special elections, so that such amendments may be voted on by the people. (It is estimated that a State-wide special election costs the cities and counties over \$500,000.)

Outline and discussion of the numerous other provisions of the amendment are omitted here, this analysis being confined to the provisions affecting the State and local governments.

Effect of the Amendment on Governments:

It has been demonstrated mathematically that this amendment cannot work; that the gross volume of business throughout the State would have to increase five-fold to finance the scheme; that the amount of lawful money required for weekly stamp purchases during the first year is greater than the total amount of coin and currency now in circulation in California; etc.

The banks have stated that they cannot receive or handle the warrants in any way. Various retailers, wholesalers' and contractors' associations, and other agencies of business have taken the same position. It seems to be agreed by all, except the proponents, that the warrants would have no circulation in private transactions, and that their only possible use will be in the payment of State and local taxes, licenses and other bills and charges made by governmental agencies.

If this is the case, they may circulate for a short time, at a heavy discount, for this sole purpose. Speculators could buy the warrants at some minor fraction of their face value, in the hope of making a profit by selling these below face value, to taxpayers, persons or corporations subject to State income taxes or State or local permit or license fees, persons subject to fines in our courts, users of municipal water and other utility services, and many other groups making payments to governmental agencies. These, buying the warrants at a discount, and using them at face value to make their governmental payments, would realize a saving on such payments, temporarily—until State and local government and publicly-owned utilities became insolvent.

Paralysis of Governmental Functions:

A deluge of retirement warrants into the State and local treasuries could result in nothing less than complete paralysis of governmental functions. Salaries of State and local governmental employees, a payroll estimated as \$200,000,000 per year, may be paid up to 50 per cent in these warrants. The balance, approximately \$100,000,000, would be payable in cash. But in time there would be no cash in either State or local treasuries. Likewise, governmental purchases of supplies, equipment and services are required by the amendment

to be paid up to 50 per cent in these warrants, the balance to be paid in cash. Vendors, contractors and others could not supply governments under this condition. If they did, cash would not long be available for payment of such balances.

With their treasuries filled with worthless warrants and no cash on hand, the State and its subdivisions would face a complete collapse of credit and a total stoppage of governmental functions. Interest and redemption charges on bonds now outstanding, a large part of which is payable in New York, could not be paid with warrants, and no market could be found for new issues. With all private enterprise refusing to accept the warrants, no supplies, equipment or services of any kind could be purchased. As a result, fire equipment, police cars and ambulances, garbage trucks and street cleaning equipment could not move. Hospitals and State institutions could not function, nor could the State prisons. All municipally owned utilities would cease operating, and the schools would have to close.

Such an eventuality may seem too preposterous for serious consideration. It, however, is not only possible, but probable, under the amendment.

To take San Francisco, as an example: Assume that of the 500,000 eligibles in the State, 10 per cent, or 50,000, would receive warrants here. Under the graduated schedule of distribution provided in the amendment, during the first year, warrants with a face value of \$69,000,000 would be distributed to the local 50,000. The City's revenue from taxes and all other sources, exclusive of State subsidies and revenue from surplus, is slightly under \$49,000,000 for the current year. If, as seems clear, there can be no circulation of the \$69,000,000 of warrants in private transactions here, and if their only possible use is an application to all or part of the City's \$49,000,000 collections, it seems obvious that they will be so used. As a result, the City and County of San Francisco, as a corporation, would be insolvent.

An example, showing the same results, could be developed for each political subdivision in the State.

Other Objections from Governmental Standpoint:

In addition to these major governmental objections, the amendment is not in the public interest from the standpoint of the governmental powers, organization and procedure that it establishes. The entire force, including personnel at 1100 branches or agencies, is subject to appointment by the Administrator, and is not subject to the civil service laws. The Administrator, and his expenditures, do not come under the budget laws. His expenditures are not subject to pre-audit by any other State official. He is authorized to call special elections, a power that even the Governor does not have, and any time he should exercise such power, he would force an expenditure of over \$500,000 on the cities and counties. With the expected expenditure of hundreds of millions under his sole jurisdiction, he is required to furnish a bond of only \$10,000.

It is obvious that the measure is not in the best interests of the people or their State and local governments. Should it be adopted, even though it should later be held to be unconstitutional, the credit of the State and its cities, counties and districts would be seriously affected for a long time into the future. Should it be adopted and held to be constitutional, it would wreck the State and local governments before it could be repealed.

CITY PROPOSITIONS

Charter Amendment No. 1

FIRE DEPARTMENT (SALARIES, ORGANIZATION AND WORKING TIME)

This proposed amendment to Section 36 of the charter, dealing with the City's Fire Department, would: Provide pay increases for captains and lieutenants; provide an additional day off per week for the entire uniformed force; specify the minimum strength of hook and ladder and engine companies, fire boats and rescue squads; and require that sufficient officers of equal rank be provided for relief, with the exception of the ranks of chief engineer and captain.

The pay increases provided by the amendment—lieutenants, from \$2,670 to \$3,096 per year and captains, \$2,820 to \$3,264 per year—would add approximately \$83,000 per year to the Fire Department payroll. According to tabulations furnished the Bureau by a committee of officers of the Fire Department, these rates would be higher than rates for similar ranks in each of the fifteen cities comparable with San Francisco on the basis of population.

The provisions of the amendment providing for additional time-off specify that the two platoons into which the uniformed force is divided shall alternate on tours of duty at intervals of not more than six days and that not less than 48 hours shall elapse between completion of one tour and the commencement of another. It is estimated by the committee of the David Scannell Club which sponsored the proposal that this, together with other provisions of the amendment, would require an additional force of at least 79 men, at an estimated increase in payroll cost of about \$205,000 per year. It is specified in the amendment that it shall take effect on December 1, 1939, the stated purpose of this being to absorb into the department the additional force that will be temporarily assigned to the Exposition.

The provisions of the amendment specifying minimum strength in the various types of company into which the department is organized appear to represent an attempt, on the part of the men, to require, by charter mandate, larger company forces than the executive head of the department has deemed necessary. The old charter formerly provided for maximum strength of the several types of company. Operation under this proved to be unsatisfactory, resulting in an amendment specifying minimum strengths of companies. The Freeholders, in their consideration of the subject, found that this interfered with the proper administration of the department by the Chief Engineer. Accordingly, in drafting the new charter, they eliminated provisions dealing with

company strength, leaving this important matter to the determination of the Chief Engineer and the Fire Commission. It is stated that the additional men that this provision would require are included in the figure of 79, referred to in the foregoing.

The provision that additional officers "of equal rank" be provided for regular relief does not appear to be necessary. This would require the appointment of additional officers. For years the department, admittedly, was "over-officered," with the result that, several years ago, a policy was adopted under which vacancies occurring in the officer ranks would in the main be left unfilled, and an equivalent number of hosemen would be appointed—thus maintaining the numerical strength of the department, and, at the same time, reducing the number of officers.

Charter Amendment No. 2

FIRE PENSIONS

This measure would amend Section 171 of the charter, dealing with pensions for members of the Fire Department who were appointed subsequent to January 8, 1932, the date that the new charter took effect. Although quite lengthy, the principal changes that it would make in the existing fire pension system are as follows: That "new" members of the department, those appointed since January, 1932, together with marine engineers, pilots, marine stokers, hydrantmen-gatemmen and foremen hydrantmen-gatemmen shall become eligible for **service** retirement after 25 years of service, at a pension equal to one-half pay; that any member of the department incapacitated by reason of illness caused by the performance of duty shall be retired on a pension allowance equal to one-half pay; that the pension allowance of one-half pay for members who die after service retirement, or while eligible to retire by reason of 25 years' service, or by reason of illness caused by the performance of duty, shall be continued to their surviving wives; and that contributions by the men toward the cost of pension benefits be limited to 5 per cent of pay (present average, 5.09 per cent).

Pensions to widows on account of death incurred in line of duty or growing out of disability incurred in line of duty are not involved in the consideration of this amendment, as half-pay pensions are now provided under the existing pension system. The major point involved in the amendment is a liberalization in retirement for service alone, at a heavy increase in cost.

Increase in Cost:

According to an actuarial report of the Secretary-Actuary of the City's Retirement System, 213 "new" firemen and 29 civilian members of the department, a total of 242, would come under the pension system established by this amendment (and, of course, all future appointees in the department). These

represent a payroll of approximately \$592,000 per year, out of a total Fire Department payroll for 1938-39 of approximately \$3,137,000. All of these men are now under a pension system, to the cost of which they contribute jointly with the City. The actuarial report shows that, under the existing pension system, the contributions of the City toward the cost of future pension benefits for these men total \$48,706 per year, equal to 8.2 per cent of payroll. The report also shows that the increased benefits provided by this amendment would require a City contribution of \$103,952 in 1939-40, equivalent to 17.6 per cent of payroll.

Both estimates are based on the assumption that the City's contributions on account of "prior service"—service prior to the effective date of the amendment—will be funded in 30 equal annual installments. This, however, is not required by the amendment. If this is not done, the initial increase in cost will be reduced by postponing part of the city's payments; the "over all" cost to the taxpayers will be materially increased; and the system will operate on the same deficit basis as the "old" fire and "old" police pension systems.

According to the actuarial report, the system proposed by this amendment would involve a cost of 22.5 per cent of payroll, to which the men would contribute only 5 per cent.

Although the City's costs, on the basis of these actuarial estimates, would be more than doubled, the actual amount of increase at this time would be relatively small, due to the small number of men affected. This amount would increase year by year, as additional members are appointed to the department.

It is probable that difficulties in administering the pension system will grow out of the provision that a pension equal to one-half pay be paid to a widow, in case of death of a fireman "because of . . . illness caused by the performance of his duty." It is conceivable that in practically every case of natural death, effort will be made to show that the cause of death grew out of performance of duty.

Reversion to "Old" Fire Pension System:

The "old" members of the department—those in the service at the time the new charter took effect—are under a pension system to which they contribute nothing and under which they may retire after 25 years of service, with such service pension continuing to the widow. The Freeholders were advised that this system was extra-liberal as to benefits, that no reserves had been or were being set up to meet the future heavy costs of such benefits, and that the City's deficit to meet future obligations under the system ran into the millions. Accordingly, without disturbing the existing system for the men then in the department—other than to require that the deficit be funded, over a period of

years—they provided that new appointees would come into the department under pension conditions whereby they would contribute jointly with the City toward the cost of pension benefits, and under which they might retire at age 55 after 20 years' service, or at age 52 after 30 years' service. The ordinance adopted under these provisions also provided that each member, on retirement, could elect to receive a somewhat smaller retirement pension during his life if he desired to provide for the continuation of this same amount of pension to his widow after his death. In time, when all of the "old" members of the department had left the service, the entire membership of the department would then be under an actuarially and financially sound pension system.

The adoption of this amendment would completely upset the sound plan of the Freeholders and throw the membership of the department back under the same unsound pension conditions that previously applied. The audited report of the Retirement Board, as of June 30, 1938, shows an unfunded deficit of approximately \$3,350,000 in the fire pension system for "old" members. This is increasing annually due to the fact that the financing of this deficit, as required by the Freeholders' charter, has not been made effective by the necessary annual appropriations.

The continuation of **service** pensions to widows has no relation to any hazard of employment that may be involved in fire or police service. If such continuation of a service pension is a sound policy as applied to widows of members of these two departments, it is equally sound as applied to widows of all City employees. Such a provision, if applied to the entire City service would involve an increased cost to the taxpayers of millions of dollars.

Amendments 2 and 3—\$1,238,000:

Various attempts have been made in the past, by proposed charter amendments, to put the civilian employees of the Fire Department—then and now under pension provisions applicable to "miscellaneous employees"—under the provisions of the firemen's pension system. In each case, the people voted down the amendment.

This amendment, together with Charter Amendment No. 3, applying similar pension provisions to the Police Department, would cost the City about \$1,238,000 in 1939-40, according to the actuarial report, if the City's obligation for prior service is funded, as it should be. This would represent an increase, over the City's costs, on the same basis of calculation, for existing fire and police pension systems, of \$718,000 in the next fiscal year. As the City's appropriations for pension benefits and reserves now amount to \$2,485,000 for the fiscal year, these two amendments would increase the City's total pension costs by 29 per cent for the benefit of only 11 per cent of the total City employees.

There is a question as to the desirability of the City providing for such increased and costly pension benefits. There is the additional question as to whether, even if desirable, these increased benefits and costs should be considered now, in the face of existing large deficits, which will be heavily increased by these two amendments, if adopted by the voters.

Charter Amendment No. 3

POLICE PENSIONS

This amendment creating a new section 168.1 in the charter, would provide a new pension system for all members of the Police Department. It would, in effect, repeal Section 166 of the charter, dealing with pensions for "old" members of the department—those in the service on or before January 8, 1932, when the new charter took effect—and likewise Section 168, dealing with pensions for "new" members of the department, those appointed since the new charter took effect.

The principal changes that it would make in the two existing police pension systems are similar to those discussed under Charter Amendment No. 2, dealing with fire pensions, namely: Provision for **service** retirement at one-half pay after 25 years of service; continuation of such service pensions to widows in cases where police officers die after retirement, or while eligible (25 years' service) for retirement; authorizing retirement upon half-pay if incapacitated by reason of "illness caused by the performance of duty"; provision for pension equal to one-half pay to the widow of a police officer who shall die "as a result . . . of illness caused by the performance of his duty"; and limiting contributions of members of the department to 5 per cent of pay. It would also bring into the police pension system, various civilian employments that are not now included therein.

As discussed in connection with Charter Amendment No. 2, pensions to widows of officers killed in performance of duty or who die from disabilities incurred in line of duty are not involved in this amendment. The existing police pension systems provide for pensions to widows of one-half of the officer's pay in such cases.

Under the provision that if any police officer dies as a result of "illness caused by the performance of his duty", a pension equal to one-half pay shall be paid to his widow, it is probable that in practically every case of natural death efforts will be made to prove that such death resulted from an illness caused by the performance of duty.

Heavy Increase in Cost:

When the Freeholders were drafting the new charter, they were urged by a committee of police officers to establish in the new charter a police pension

system incorporating the benefits provided in this Charter Amendment No. 3, on the ground that the firemen enjoyed a similar system. As stated, the Freeholders believed that the fire pension system was extra-liberal, very costly and financially unsound. Therefore they did not act favorably on the police request. Instead, they provided that new appointees should come into the department under a pension system more liberal than the old police pension plan, and toward the cost of which they would contribute jointly with the City. They also provided that "old" members of the department should have the option of joining this new system. Since January 8, 1932 all of the new members of the department have come in under the new system and about 800 of the older members of the department have exercised their right of option to join this system. Subsequently, in 1937, members of the Police Department submitted a charter amendment to the voters providing for a system similar in most respects to that incorporated in this Charter Amendment No. 3, with the additional provision that retirement be mandatory at age 63. This was voted down by the people.

This amendment, if adopted, will force a very heavy increased cost on the City.

According to the actuarial report prepared by the Secretary-Actuary of the City's Retirement System, the amendment will apply to 1,308 members of the department with an annual payroll of approximately \$3,260,000. The report shows that the cost to the City of the existing police pension systems, as these apply to both "old" and "new" members, is \$472,000 per year, equivalent to 14.5 per cent of payroll and that the new pension system, incorporated in Charter Amendment No. 3, would cost the City nearly \$1,134,000 in 1939-40, a sum equivalent to 34.7 per cent of payroll.

Both estimates are based on the assumption that the City's contributions on account of "prior service"—service prior to the effective date of the amendment—will be funded in 30 equal annual installments. This would establish a financially sound system. This, however, is not required by the amendment. If this is not done, the initial increase in cost will be reduced by postponing part of the City's payments; the "over all" cost to the taxpayers will be materially increased; and the system will operate on the same deficit basis as the "old" fire and "old" police pension systems.

Increased Cost, on Top of Existing Deficit:

Although the same benefits are provided under Charter Amendment No. 2, fire pensions, and this Amendment No. 3 dealing with police pensions, the much higher cost to the City of this measure is due to the larger number of men affected, and to the fact that the average age of Police Department personnel is higher than the average age of new appointees in the Fire Department, thus requiring much larger appropriations by the City to take care

of future obligations on account of "prior service"—service prior to the effective date of the amendment—rendered by the members of the department.

The existing police pension system, similar to the existing fire pension system, has a large deficit, which, according to the Retirement Board, amounted to \$490,000 as of June 30, 1938. Although financing of this deficit is required by the new charter, such financing has not been carried out due to failure to make the necessary annual appropriations. Such deficit will increase annually for a number of years to come. Should this proposed charter amendment be adopted, this existing deficit will be immediately and heavily increased if the City contributions for "prior service" are not funded.

Inequitable Provisions:

This Charter Amendment No. 3 applying to police officers, as well as Charter Amendment No. 2, applying to firemen, provides that when any member of the department shall be entitled to retire after 25 years' service, he may not be deprived of such right by any later charter amendment "or any other event or occurrence, whether prior to, pending at, or subsequent to said completion of whatever nature." Under this, a police officer or a fireman, even though dismissed from the department for misuse of his office or uniform, or convicted of a felony, must, if this language is legal and not subject to future amendment, be paid a pension by the City. As dismissal from the department can be accomplished only after trial on specific charges, this provision does not appear to be fair, equitable or in the public interest.

The amendment carries a provision that would largely nullify an equitable provision of the Freeholders' charter. The Freeholders provided that any person retired for **service**, who, prior to age 62, engaged in any gainful occupation, would have his pension allowance reduced to an amount which, added to the amount earned in such outside employment, would not exceed his former compensation in the City service. Charter Amendment No. 3 simply provides that any retired person, if employed on a salaried basis in any Federal, State, county or municipal position, shall forfeit his pension during the period of such employment. Thus, the amendment will put a premium on a practice that resulted in much criticism of the "old" firemen's pension system, namely, retiring after 25 years' service on a half-pay pension with the intention of supplementing the pension by a paid, full-time position in private employment.

San Francisco Proposition No. 4

DECLARATION OF POLICY ON MARKET STREET RAILWAY PURCHASE, \$5,000,000

This proposition involves a declaration of policy that is submitted to the voters by Supervisors Mead, Meyer, Ratto, Schmidt and Uhl. The proposition on the ballot reads substantially as follows: "Shall the City endeavor to

purchase the operating properties of the Market Street Railway for an amount not exceeding \$5,000,000?" Proposition No. 5 is a companion measure and involves the question of policy of submitting a \$9,000,000 bond issue to the voters for the purchase of buses to be substituted for street car lines. No engineering studies or estimates have been made as a basis for either proposal.

Advocates of the proposition propose that purchase of the Market Street Railway be followed by abandonment of all or a large number of the street car lines and that bus lines be substituted therefor. There apparently is no basis for the sum of \$5,000,000 as the purchase price, other than that it is less than the \$12,500,000 included as purchase price in the recently defeated railway bond issue, and, therefore, might be favored by the voters.

Financial statements indicate that the Company has an outstanding indebtedness, of both bonds and current liabilities, amounting to approximately \$7,000,000. It has been suggested that the City, with a \$5,000,000 authorization, could wait until the Company went into receivership and then buy the property, possibly at a foreclosure sale. This is a speculative and uncertain procedure and hardly suitable as part of a solution of the City's transportation problem. Although the system does not have sufficient revenue to pay existing expenses under present conditions, it supplies an essential service to a large part of the City. Under receivership the system might be operated for years with curtailed service and expenditures.

The proponents of the measure believe that a majority vote thereon will be accepted as a mandate by the Public Utilities Commission and the Manager of Utilities, and thus lead to the later submission of the contemplated bond issue (although the proposition on the ballot makes no mention of a bond issue). Even though this measure polled a majority of the votes cast, this would be meaningless, and would offer no assurance that a two-thirds vote could be secured to pass a subsequent bond issue.

San Francisco Proposition No. 5

DECLARATION OF POLICY ON \$9,000,000 FOR BUSES

This is a companion measure to Proposition No. 4. The declaration of policy on the ballot reads substantially as follows: "Shall the City issue \$9,000,000 of bonds for passenger buses, to be used with property of the Market Street Railway if acquired or as an adjunct of the Municipal Railway?" It is sponsored by the five Supervisors who also signed the petition submitting Proposition No. 4.

It is the hope of the sponsors that an affirmative vote on the question will appear as a mandate of the people, and cause the Public Utilities Commission and the Manager of Utilities to recommend the submission of a bond issue to establish an extensive bus system. The Commission and the Manager have consistently opposed similar bus proposals in the past on the ground that

substitution of buses for existing street railway lines would not meet San Francisco's transit needs.

The figure of \$9,000,000 set up as the amount required for buses is not based on engineering studies. The street car lines to be removed and replaced by buses are not specified. Estimates of the cost of, and source of funds for, the removal of street railway lines to be abandoned and necessary repaving of the streets are not given. Estimates of operating results and probable profits or deficits have not been made.

The proposition, if approved by the voters, can have no legal effect. Even approval by a majority vote would be meaningless. Until a bond issue proposition is submitted in the manner prescribed by the charter and is approved by a two-thirds vote, nothing can be accomplished. Submission of such a bond issue does not require approval of Proposition No. 5.

The City

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No. 1

Salary Standardization (Referendum)

Appendix—Proposed Schedule and Payroll Increases Involved

Proposition No. 1—

Special Election, May 19, 1939

Issued by the

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*"An incorporated non-partisan citizens' agency to study public business, cooperate
with officials and specifically work for economy and efficiency in municipal affairs."*

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Proposition No. 1

THE SALARY STANDARDIZATION ORDINANCE

(Referendum)

Summary:

Proposition No. 1 on the May 19th ballot is the controversial "salary standardization" ordinance which was passed by the Board of Supervisors February 14, 1939, signed by the Mayor on March 1, 1939, and held up by a referendum petition signed by over 25,000 qualified voters of San Francisco.

This ordinance provides increases in pay for over 3,900 of the 6,300 City employees whose rates are subject to the salary standardization provisions of the charter. It represents salary standardization in name only, because many rates in the ordinance were fixed in violation of the charter provisions that "like compensation shall be paid for like service . . ." and that "such compensations shall BE NOT HIGHER THAN PREVAILING rates for like service and working conditions in private employment or in other comparable governmental organizations in this State."

This Bureau filed with the Mayor and the Board of Supervisors a compilation questioning the rates established for 440 of the 689 classifications in the ordinance, on the ground that such rates had been fixed contrary to the manner prescribed by Charter. Of these, about 180 had been fixed without any supporting data as to "prevailing" rates for similar services; about 160 had been fixed at rates higher than the *highest* "outside" rates reported to the Civil Service Commission; others had been based on rates for "outside" positions that clearly were not comparable with such City positions; other rates, based on per diem rates, included illegal allowances for non-working time; others were based on selected, rather than "prevailing," rates; etc.

The ordinance presents a scale of salaries which, on the whole, probably is higher than the payroll for comparable services of any private employer or governmental organization within the State.

If the ordinance is approved, the ultimate cost will require a permanent increase in the tax rate of approximately 18 cents each year. This cost is analyzed in detail in a lengthy table incorporated at the end of this report, which shows the various classes of employment in the City and County service (approximately 689 classifications, 6,300 employees) whose compensations are subject to the salary standardization provisions of the Charter. The table also shows the rate of pay for each classification in the ordinance; the total number of employees in each classification (as compiled by the Bureau from the 1937-38 salary ordinance); the number of employees whose compensation would be subject to increase; and the ultimate gross cost per year of such increases for each class of employment.

This table, compiled and printed early in 1938, shows the number of positions enumerated in the 1937-38 salary ordinance. The 1938-39 budget and salary ordinance contains changes in the number of positions for various classi-

fications. Also, the Civil Service Commission has added new classes to the original report and retitled or renumbered other classifications included in the original report. These changes have been posted to, and the effect of such changes calculated in, the Bureau's work sheets. However, to avoid the heavy cost that would be involved in revising and reprinting the whole table, the new classifications have been included at the end thereof, and the increase in payroll cost—occasioned by such classifications, reclassifications and changes in number of positions in the current salary ordinance—has been shown as a lump sum at the end of the table.

The estimated annual gross increase in payroll cost, on the basis of this current data, is raised from the 1938 estimate of \$1,421,000, by about \$85,000, or to a total of \$1,506,000. The net cost, after deduction to reflect natural "turnover" in employments, is estimated by the Bureau as \$1,355,000 per year.

Charter Provisions Dealing With Salaries and Salary Standardization:

Section 151 of the Charter provides: "In fixing schedules of compensation . . . the Board of Supervisors through the Civil Service Commission shall cause a schedule of compensations to be proposed . . . under which like compensation shall be paid for like service with due regard to the seniority of the personnel included in each class and with regard also to other compensations in the City and County service not subject to salary standardization. Such compensations shall be not *higher* than *prevailing* rates for like service and working conditions in private employment or in other comparable governmental organizations in this State."

These Charter provisions not only define salary standardization rates as these shall be applied in the San Francisco municipal service, but establish the limits by which the Civil Service Commission and the Board of Supervisors are bound in determining the various rates to be fixed. There is no leeway under these Charter provisions for arbitrary determination of rates to be fixed under salary standardization for any class of employment for which comparable rates can be secured in private employment or in other governmental organizations in the State. The latter group includes cities, counties, utility districts, the various branches of the State government, and the various branches and institutions of the Federal Government located in California.

Section 151 of the Charter also provides that compensations of the teaching and other technical forces of the school department; librarians and technical assistants of the library department; employees of the California Palace of the Legion of Honor, the M. H. deYoung Memorial Museum, Steinhart Aquarium, park and law library departments—and police officers, firemen and other employees whose salaries are fixed in the Charter—shall not be subject to salary standardization.

Section 71 of the Charter provides that: "No compensation shall be increased so as to exceed the rate fixed for such service or position in the proposed schedule of compensations issued by the Civil Service Commission

under date of April 9, 1930." This section relates to the so-called "1930 schedule" which is a classification of employments listing each separate class of employment and the salary or wage rate therefor, as developed by the Civil Service Commission in 1930 and submitted to the Board of Supervisors in April, 1930. This schedule was never adopted by the Board of Supervisors but its maximum rates were made effective by including in the new Charter a provision that, pending the adoption of salary standards, compensations could not be increased so as to exceed the rates fixed by the 1930 schedule. This provision has had the effect of setting the maximum rates in such schedule as a ceiling beyond which department heads, Mayor and Board of Supervisors could not go in recommending rates or increases for the employees in the several departments.

The new Charter protected the salary and wage rates of City employees who were regularly holding their positions and receiving such rates as of January 1, 1931. Thus, for example, general clerks who received \$200 or more a month as against the 1930 range of \$155 to \$175 per month, will continue to receive such higher wages so long as they regularly hold their positions.

Brief History of Salary Standardization:

The requirement that salaries in the City's service be standardized was first provided by Charter amendment, drafted by this Bureau, in 1924. Subsequently, about 1925-26 a so-called "zoning" plan was developed but was discarded by the Civil Service Commission. During 1928-30 the Civil Service Commission made a study, in which the Bureau co-operated, of the duties of all City positions subject to standardization, on the basis of which a classification of positions was formulated and adopted. In 1930, the Civil Service Commission completed the proposed schedule of compensations referred to above as the 1930 schedule. This schedule—many of the rates of which were opposed by the Bureau—was not adopted by the Board of Supervisors, but its rates were established by the new Charter as maximum rates that could be paid by the City.

With the advent of the new Charter, the compilation of a salary standardization schedule by the Civil Service Commission and the submission thereof to the Board of Supervisors became a Charter duty of the Commission. In 1931 the Supervisors returned the 1930 schedule to the Civil Service Commission for revision made necessary by provisions of the new Charter. Beginning in 1936, the Civil Service Commission began collecting data as to salaries and wages paid in private employment. In July, 1937, the Civil Service Commission secured an appropriation of \$5,400 from the Mayor and the Board of Supervisors for the purpose of employing temporary assistants so that the work could be speeded up and a current schedule of employments could be submitted to the Supervisors early in January, 1938.

This schedule was submitted to the Board of Supervisors in February, 1938. The Supervisors held a few hearings on the proposed schedule, but,

during April 1938, dropped further consideration thereof. This action was due to the Mayor's edict, in connection with the 1938-39 budget estimates, of "no new positions and no salary increases."

The matter was again taken up by the Supervisors late in 1938. In January, 1939, the Civil Service Commission submitted a report, amending its original report by adding various classifications and proposing increases in a number of the rates in the schedule. The schedule, as so amended, was adopted by the Supervisors, as an ordinance, in February, 1939, and was signed by the Mayor on March 1, 1939. It was then held up by a referendum petition and, when not repealed by the Supervisors, was submitted to the voters, for their vote of approval or disapproval at the special election, Friday, May 19, 1938.

Development of Rates Included in the Ordinance:

Beginning in August, 1937, the temporarily augmented staff of the Civil Service Commission obtained a mass of information on compensations paid by some 250 private employers in San Francisco. Some comparative salary data were also collected from the governmental services of Los Angeles City, Los Angeles County, Alameda County, and the City of Oakland. All this information, broken down into individual jobs, was later analyzed and allocated to those respective City classifications which, in the opinion of the Commission's staff had "like service and working conditions" with the various respective positions reported by private employers and the other governmental jurisdictions.

Prior to this, the Civil Service Commission had appointed a Salary Standardization Advisory Board which was composed of one representative, each, from this Bureau, the Real Estate Board, the San Francisco Center, the Civic League of Improvement Clubs, the Federation of Municipal Employees, and the San Francisco Labor Council, together with two members of the Civil Service Commission's staff. Originally it was intended that the Advisory Board should pass on the analysis of salary data and recommendations based thereon, by the Commission's staff, and from such data and recommendations formulate recommendations to the Civil Service Commission as to proper salary and wage rates in the City's service—rates "not higher than prevailing rates for like service and working conditions in private employment or in other comparable governmental organization in this State" (Charter). This plan was abandoned in November, 1937. Thereafter the Commission's staff analyzed and interpreted the "outside" salary data and recommended the rates to be established for the various classifications in the City service, while the Advisory Board sat jointly with the Commission in considering such staff recommendations, together with requests and protests made by the employees.

The Advisory Board and the Civil Service Commission held a series of joint meetings beginning in November, 1937, and ending in January, 1938.

At the earlier public meeting protests from employees were heard. At the later closed meetings the Board and the Commission acted on the recommendations of the staff as to salary rates for each of the 650 classifications (approximate number at that time) in the City service that were subject to standardization.

Each member of the Advisory Board was furnished with the data accumulated by the Commission's staff as to individual positions or groups and the rates paid for such classes of service in private employment. These data were presumed to furnish the basis for determination of rates to be paid for City service, on the basis of the rates paid for similar service and like working conditions in private employment and other comparable governmental organizations in California. Under the Charter, that is the only basis upon which City rates legally can be determined.

Schedule of High Rates:

However, early in the discussions it became evident that the Commission, and a majority of the members of the Advisory Board, were agreed on a policy of establishing the highest schedule of rates that could be based on the salary data secured by the Commission Staff from "outside" private and public employers—as it was stated on more than one occasion, "establishing a ceiling beyond which the Commission cannot go."

On the few occasions where the staff had recommended a lower rate for a given classification than the rate proposed in the 1930 schedule (which, as stated, was never adopted), objections to reducing any rates below the figures in the 1930 schedule were raised by various members of the Advisory Board, with the result, in each case, that the staff recommendations later were increased at least to the rates in the 1930 schedule. In many instances, staff recommendations were accepted, even though not supported by any "outside" rates whatsoever.

During these meetings the Director of this Bureau, as a member of the Advisory Board, continually raised questions as to the lack of adequate data, the interpretation of the data presented, staff recommendations not supported by the data at hand, etc. He raised objections to a majority of the rates proposed by the Commission's staff, contending that for the above-stated reasons, among others, such rates were set in violation of Charter provisions. In every instance such objections were either voted down or were not answered or discussed.

It should be noted that the members of the Advisory Board—except for the two members thereof from the Civil Service Commission's staff and the one member from this Bureau—had neither the time nor the staff facilities for analyzing and interpreting the mass of card-data presented to them by the Commission's staff, representing the factual information reported by 250 private employers in San Francisco. These data were presumed to support the rates which were recommended by the Commission's staff. The facilities

of this Bureau were taxed to the utmost, during the three-months period of consideration of rates, in analyzing the rates recommended by the Commission's staff and in attempting to relate these rates to the data reported by such staff.

At the final hearings on the proposed schedule of rates, the Civil Service Commission increased, in some cases arbitrarily, the rates as originally recommended by the staff for about 70 classes. This increased the ultimate gross cost of the schedule by nearly \$300,000 annually.

Additional Payroll Cost Under the Ordinance:

As shown in the table at the end of this report, the Bureau's estimate of gross annual cost of the proposed rates is \$1,506,000, if based on the current year's salary ordinance. Reducing this figure by 10 per cent to allow for turnover a net maximum annual cost of \$1,355,000 is indicated.

This 10 per cent allowance for turnover assumes that 80 per cent of the employees subject to standardization would be at maximum-seniority pay, when the ordinance would be in full effect, several years hence; and that the remaining 20 per cent would be scattered at the various seniority rates along the scale, justifying an average deduction of 10 per cent. As the maximum-seniority rate is attained on entrance for a large number of the employees involved (all per diem and some salaried employees); after one, two or three years service, respectively, for other large groups; and after four years service for the remaining employees—these figures are considered as highly conservative.

The Civil Service Commission disputes the Bureau's figure of increased annual payroll cost. It estimates that the increased cost for 1939-40, if the rates in the ordinance should be put into full effect, would be \$886,000, and that this figure would approximate the total increase for any given year in the future.

A small number of employees, long in the City service, now receive a higher compensation than specified in the ordinance (and in the 1930 schedule) for their class of work. Such rates, if paid to such employees as of January 1, 1931, are protected by Charter and may not be reduced so long as the employee legally holds such position. However, as these employees retire from service and are replaced by new employees at minimum or entrance rates, these excess costs will be reduced by the difference between the scheduled maximum rates and the amount now received by these charter-protected employees. Such reductions have been going into effect during the last seven years. The salary standardization ordinance is not needed to continue this process of payroll adjustment.

Offsetting this potential decrease, at least to a considerable extent, is the increase to be expected in the future as a result of the many reclassifications in positions, all of which seem to result in increased rates.

Bureau Criticism of the Proposed Schedule:

The Bureau's criticisms of the salary standardization ordinance can be grouped under two general heads: Elements of policy, method and procedure in the establishment of the individual rates in the ordinance; and the large number of rates established contrary to Charter provisions, and, in many cases, in excess of the maximum allowable under the Charter formula. These points are discussed in the following pages under appropriate headings.

Work Suffered by Being Forced to Completion:

Although salary survey activities by the Commission's staff were in course of progress for more than one year and intensively during the period from September to December, 1937, the final result—that is, the rates established in the proposed schedule—suffered from the declared policy and intention of the Commission to complete its work and submit its report to the Supervisors early in January, 1938. This policy was expressed on various occasions when questions were raised by the Bureau's representative, relative to the proposed rates for specific classes, as to the lack of any data whatsoever as a basis for determining "prevailing" rates, the adequacy of comparable data, and the correctness of interpretation of material secured by the Commission's staff.

Undue Weight Given to Rates in 1930 Schedule:

Many of the rates in the salary standardization schedule were established directly or indirectly on the basis of rates for similar classes as established in the schedule of April 9, 1930. During the study which led to the proposed salary standardization schedule and particularly during consideration by the Advisory Board and the Commission of the rates recommended by the Civil Service staff, the proposed salary and wage rates were continually compared with the rates in the 1930 schedule.

As previously stated, although adopted by the Civil Service Commission in 1930, this was never acted upon by the Board of Supervisors. The Bureau, which had participated with the Commission in the lengthy survey leading to the classification of employments in 1929 and the collection of comparable salary data in 1929 and 1930, raised many objections with the Civil Service Commission at that time to the rates recommended by the Commission in the 1930 schedule. Such objections were based on the fact that in a large number of cases, such rates were established in accordance with then-existing City rates—disregarding available comparable information as to salaries and wages paid in private employment—and at rates higher than those prevailing in private employment.

Fallacy as to Higher Cost of Living:

Various of the proposed rates in the current salary standardization ordinance, particularly in the lower brackets, were urged on the basis of the

erroneous argument that increases could be justified on the ground that living costs have increased. The fact is, according to the U. S. Bureau of Labor Statistics, that living costs at the end of 1937 (the period during which the rates were being determined) were only 85% of the 1930 peak in cost of living.

Policy of Establishing Highest Possible Rates:

The Commission in its discussion of proposed rates with the Advisory Board and at public hearings held on the proposed schedule, stated that it had advised its staff to propose the highest schedule of rates that could be established on the basis of the data secured from other private and public employments—as expressed on more than one occasion, “a ceiling beyond which the Commission cannot go.” It seems obvious that the effect of such policy on staff collection and interpretation of data would result in an unduly high schedule of rates.

Intention to Establish a Schedule of Rates “That Would Be Adopted”:

It was the policy of the Commission, as stated on a number of occasions when questions were raised by the Bureau’s representative on the Advisory Board—questions as to the adequacy of comparable information, or the correct interpretation of available information, or the fact that a rate recommended by the Civil Service Staff was not a “prevailing” rate, or was higher than the highest “outside” rate reported to the staff—that the Civil Service Commission intended to submit to the Board of Supervisors a schedule that the Board would adopt, and that a schedule providing for any decreases in rates would not be adopted by the Supervisors.

Criticism of Ordinance Rates as in Violation of Charter Provisions:

A consideration of the points of policy and procedure, as outlined above, will aid in understanding how and why many of the rates included in the proposed ordinance were established.

In addition to the foregoing points of criticism dealing with policy and procedure, the Bureau has criticized many of the rates in the proposed schedule on the ground that they were established by the Civil Service staff and Commission contrary to charter provisions which specify how such rates shall be fixed. As previously stated, Section 151 of the Charter provides that there shall be like pay for like service with due regard to seniority “and with regard, also, to other compensations in the City and County service not subject to salary standardization. Such compensations shall not be higher than prevailing rates for like service and working conditions in private employment or in other comparable governmental organizations in this State.”

The Bureau filed with the Mayor and Board of Supervisors a list of classifications, 440 out of the 689 classifications making up the whole schedule, for which the Bureau contended—specifying its reasons in each individual case—

that the rates were fixed not in accordance with this Charter provision. For a large number of such classifications, about 160, the rates fixed were higher than the highest reported by the Commission's staff to the Advisory Board and the Civil Service Commission. In about 180 other cases the rates recommended were not supported by any data whatsoever.

This list of 440 classifications and rates could be increased, if certain of the rates, supported only by an "out-of-line" high rate, and not by the "prevailing" or "predominant" rate, were added.

Insufficient Data from Other Governmental Organizations:

A large number of the rates in the ordinance, for services found in governmental organizations but not commonly found in private employment, were established arbitrarily. This is due in large part to a failure by the Commission's staff to secure and use data from other governmental agencies, although it was originally agreed, as a matter of policy by the Salary Standardization Advisory Board and the Commission's staff, that such data would be secured and used from cities and counties of over 100,000 population in the State, the State service and branches thereof, and a number of Federal units established in San Francisco and the Bay region. Some comparative data were secured on positions in the services of Los Angeles City, Los Angeles County, Alameda County, and Oakland. Not all of such data was used and little attempt was made to develop comparative information for all employments, peculiar to governmental agencies, in those cities and counties. Data from the many Federal agencies in and around San Francisco, and the State service and its many agencies, although easily available, were not collected or used. As a result, as stated, rates for many classifications were determined arbitrarily by the Commission's staff.

Two complete services, Legal and Medical—salary data for which are available only from other governmental units—were established on the recommendations of committees of doctors and attorneys, respectively, wholly without reference to salaries paid for similar services in other governmental agencies in California. This is not only contrary to the Charter, but, on the basis of salary data secured by the Bureau from other governmental agencies in the State, many of the rates so recommended were found to be higher than the highest paid by any governmental organization in this State for similar services.

Comparable Data Ignored:

Various of the rates in the ordinance were established by ignoring comparable data that were available and by establishing such rates on a basis contrary to that specified by Charter. Some examples of rates established in this manner are as follows: Building inspector, \$300 maximum; plumbing inspector, \$300 maximum; electrical inspector, \$300 maximum; Clerk of the Board of Supervisors, \$600 maximum; executive secretary to the Mayor, \$650 flat

rate; chief valuation engineer, \$750 maximum; various specific classes considered as "department heads" (although there is no such classification in the City service), \$600 maximum; registrar, recorder, tax collector, county clerk, and other "county" officers, \$500 maximum; office-machine operators (addressing, multigraph, comptometer and calculating), \$185 maximum; etc.

These various classes and rates are given here as typical examples only. The enumeration could be extended to include classifications in practically every division of the schedule.

Illegal Allowance for Non-Working Time:

A number of rates in the ordinance for various foremen and general foremen, fixed on a monthly salary basis and based on the per diem craft rate, are considered illegal in that they have been fixed to include non-working time. This is contrary to a specific Charter provision. This states, Section 151, that where compensations for services paid on a per diem basis are established on a monthly salary basis, such salaries shall be based on the prevailing per diem rate and the application thereto of the normal or average actual working time.

As most of the general foremen in the City services supervise relatively small gangs, are "general foremen" by classification only, and are not comparable as to responsibilities with similarly-titled employees in private employment, such excess rates are not only illegal but seem wholly unjustifiable.

Use of "Selected" Rather than "Prevailing" Rates:

Another large number of rates, about 60 in number, were established solely on the basis of a single rate or set of rates, paid on the "outside" for services not comparable with the City classification to which such "outside" rate was applied. Examples of these rates so established, considered contrary to Charter provisions, are janitors, \$145-\$155, supported only by per diem rates paid by theatres, and at variance with the \$115 rate paid in buildings throughout the City; auto machinist and machinist \$10.00 per day, supported only by rates paid by breweries, and at variance with the prevailing rate of \$9.00 per day for these two classes under agreements between the unions, and the Metal Trades Council and auto repair shops.

Rates Developed by Incorrect Interpretation and Use of Data:

Many rates in the proposed ordinance, established on the basis of data collected and interpreted by the Commission's staff, are apparently "out of line", and not truly comparable with prevailing rates for similar services in private employment. The Commission's staff stated that it re-checked all questionable data. Such checking and re-checking could not be done by the Bureau due to the fact that the Civil Service Commission, to secure the data, promised private employers that all salary material furnished by them would be kept secret as to source. Under this agreement the cards showing salary data for employments in each firm or corporation are designated by a code

number, and the employer to whom such code number applies is known only to the Commission's staff.

Many such cards of positions in private employment were allocated to positions in the City service having less responsible duties than those shown for the "outside" positions. As a result, in such cases, the rates paid in private employment for the higher position had the effect of raising the rate to be recommended for the less responsible position in the City service.

In many cases the Commission's staff allocated one position or one group of similar positions in private employment to two or more classifications in the City's service. An extreme example of this, and of the effect of this policy in influencing high rates in the ordinance, is shown by a classification taken from the Los Angeles City service—business manager, one employment only, with a monthly salary of \$577.50 (including 10 per cent added for a five-day week to establish a basis comparable with the City's five and one-half day week). This bit of data was posted by the Commission's staff to six of the City classifications, and although it was not comparable to any one of the six, the high rate influenced the rates recommended for each of the six City positions.

Use of Titles, Only, and of Salary Ranges:

Much of the data received from private employers and "carded" by the Commission's staff for allocation to the City classification deemed by the staff to be comparable, contained only titles of positions, with no description of duties. In any such case, where the salary reported was apparently "out of line" for the duties implied by the title of the position, this raised the question of the propriety and accuracy of using such salary data in establishing rates for a specific City classification. To illustrate this point, here is one of a large number of examples that could be cited: One private firm reported 25 "Miscellaneous Accountants" at salaries ranging from \$129 to \$236 per month. No statement of duties was given. All were posted by the staff to Class B4—Bookkeeper.

As another point, there was an excessive use of salary ranges in the data collected from private employers; many single positions were reported, each with a minimum and maximum rate, rather than the one rate being paid. This had the inevitable result of encouraging inaccuracy in reporting actual salaries paid. It had the result also of focusing attention on the maximum rate in such range, although it is trite to say that such maximum cannot be the "prevailing" rate. Past experience, by the Bureau and other groups, indicates that the actual number of employments at each of the salary rates within any such range can be secured in most cases. In cases such as Los Angeles City and Los Angeles County employments, where the detailed information used by the Civil Service Commission was also available to the Bureau, it is known that the Commission's staff frequently used "ranges" and made no attempt to show specific number of employees at each rate within a given range.

Various of the rates in the ordinance were arrived at by the use of selected

data from some sources and disregard of other available data, applicable to other classifications from the same sources or applicable to the same classification from other sources.

Summary—Many Rates “Higher than Highest”:

As a result of the many points of Civil Service Commission policy, method or interpretation that have been criticized in the foregoing, a large number of the rates included in the ordinance are higher than the highest rates for similar services, as reported to and collected by the Civil Service Commission's staff from private employers in San Francisco and governmental organizations within the State. A compilation by the Bureau, previously referred to, shows that of the total of 689 rates in the ordinance, about 160 are clearly higher than the highest “outside” rates reported to the Commission's staff.

It is probable, also, that a large number of (1) the 180 rates included in the ordinance that were based on no data whatsoever, and (2) the approximately 60 rates established by the use of data which were not properly comparable with the positions to which such data was applied—are also higher than the highest “outside” rates that could be developed for similar services.

This comment has relation only to rates “higher than the highest.” It is to be kept in mind that the Charter requirement for salary or wage rates to be fixed under salary standardization is that such rates shall be “not higher than prevailing rates.” On the basis of the above, it seems to be a reasonable and conservative conclusion that a great majority of the rates included in the ordinance are in excess of prevailing rates and therefore illegal under the Charter.

The Bureau of Governmental Research has been a consistent advocate of salary standardization. It was probably the first organization in the City to urge this development, nearly twenty years ago. It co-operated with the Civil Service Commission in 1922 in the drafting of an initiative Charter amendment to bring about salary standardization. This was voted down by the people. In 1924, it co-operated with City officials and employees in drafting another salary standardization charter amendment. This was adopted. Later, in co-operation with the Freeholders who drafted the new charter in 1930-31, the Bureau assisted in clarifying some provisions of the 1924 amendment which had proven ambiguous and led to varying interpretations.

In favoring salary standardization, the Bureau has favored it as it is defined in the Charter. For the reasons enumerated at length hereinbefore, the Bureau opposed many of the rates when these were recommended by the Civil Service staff, and opposed the ordinance containing these rates when such ordinance was before the Supervisors. The Bureau has supported and is supporting the principle of standardization as prescribed by the Charter, and will continue its efforts to secure such standardization.

APPENDIX

THE PROPOSED SCHEDULE, AND PAYROLL INCREASES
INVOLVED

The following table shows the rates included in the salary standardization ordinance, and the ultimate payroll effect of such ordinance, if this should be adopted by the voters at the May 19th election. The table is divided into main divisions or services—such as, Building Trades, Service, Clerical Service, etc.—as set up in the City's classification of employments.

The table includes every classification in the City and County service that is subject to salary standardization, and the salary or wage rates therefor. The table also shows compilations, made by this Bureau, of the number of employees in each class; the number in each class whose present rates are below the maximum rates specified in the ordinance for such class and who, therefore, would ultimately receive increases (progress from minimum to maximum rates is solely on the basis of length of service, four years at the outside); and the estimated annual cost of such increases—for each class, for each main service, and in summary form for all services. The 1937-38 annual salary ordinance, fixing the number of employees and specifying their salary and wage rates, supplemented by snap checks of the City payrolls for December, 1937, provided the data on the number of employees and existing salaries.

New or revised classifications added by the Civil Service Commission, subsequent to the adoption of the 1937-38 annual salary ordinance, are shown as a supplement at the end of the table, following "Division V." The increase in payroll costs due to such reclassifications, and due also to change in number of employees under the current, 1938-39, annual salary ordinance—all as calculated and included in the Bureau's working papers—is shown as a lump sum with this supplement.

Increases Based on Maximum Rates:

Wherever a range is shown—such as \$400-\$475, representing a minimum entrance rate and a maximum rate—the Bureau's estimates of the increased annual payroll cost are based on use of the maximum rate. The salary standardization ordinance sets up a series of automatic annual increases under which various groups of employees will reach their maximum rates after one, two, three or four years of service. Service records and experience with municipal employment provide ample proof of the small turnover and consequently long term of service. This means that the major period of service for the vast majority of employees will be at maximum rates.

Part-time employments and the estimated payroll increases therefor, are listed separately in the tables, and are indicated by the letter "p", after the number of employees. The estimate of the annual cost of salary increases for part-time employees is based on maximum rates. In some instances in the Legal

and Medical Services, the ordinance sets up maximum rates only. These are shown as "up to \$300" or "up to \$800", as the case might be, for services "as needed". The Civil Service Commission proposes that varying part-time salary rates, up to such maxima, be paid the respective employees in each such class, based on the amount of part-time required, and as fixed each year in the annual salary ordinance.

The Commission's staff contends that not all of these employees will go to the maximum rates—that they will work varying fractions of full-time, and will be paid accordingly. The Commission has, however, recognized increases to the maximum, under these conditions, in the Legal Service. The Bureau believes that past experience indicates that the Commission's contention is unsound, and that if these maximum salary rates are established, it will not be long before every employee in each such class will be at the maximum. Bureau estimates of increased cost have been calculated accordingly.

The amount of increase estimated for the per diem forces is based on average working time for the various crafts as developed by the Civil Service Commission. This might range from an average of twenty days per month for the street repair forces and 21.17 days per month for building repair crafts, to 25 days per month for other services.

For a number of foremen classifications, two rates are shown—one, for a five-day week (indicated as "5 d. w." in the table), and one for a six-day week (indicated as "6 d. w.").

The table, showing the distribution of the 6,300 employees affected, the 3,900 who would be increased, and the distribution of the gross payroll increase estimated as \$1,505,791 per year, follows.

Division A

BUILDING TRADES SERVICE

Class No.	CLASS TITLE	Total Number of Employees	Proposed Rate	INCREASES	
				Number	Amount Per Year
A 6	Supervisor of Maintenance and Repair of School Buildings.....	1	\$325-400	1	\$ 300
A 8	Assistant Superintendent of Maintenance and Repair of Public Buildings.....	1	325-400	1	1,200
A 10	Superintendent of Maintenance and Repair of Public Buildings.....	1	400-475	1	1,200
A 52	Hodcarrier	14	10.00d (11.00 if under- ground and 11.20 if tending plasterer)	....	.....
A 56	Brick layer	8	14.00d	8	4,167
A 58	Marble Setter's Helper.....	....	6.50d	....	.....
A 60	Marble Setter.....	1	10.50d	1	130
A 62	Tile Setter.....	1	11.00d	1	260
A 106	Building Inspector.....	20	250-300	20	18,000

Class No.	CLASS TITLE	Total Number of Employees	Proposed Rate	INCREASES	
				Number	Amount Per Year
A 154	Carpenter	38	10.00d	36	9,516
A 156	Patternmaker	2	12.00d	2	1,042
A 160	Foreman Carpenter, Works.....	1	300	1	600
A 162	Foreman Carpenter, Schools.....	1	{230-5dw} {275-6dw}	1	696
A 164	Foreman Carpenter, Utilities.....	----	{230-5dw} {275-6dw}	----	-----
A 165	Stage Carpenter	1	12.50d	----	-----
A 170	Stage Property Man.....	1	12.50d	----	-----
A 172	Repair Foreman.....	----	300	----	-----
A 202	Cement Finisher's Helper.....	14	9.00d	14	3,645
A 204	Cement Finisher.....	6	10.00d	6	1,562
A 208	General Foreman, Cement Finisher.....	1	300	1	300
A 252	Glazier	5	9.70d	5	990
A 302	Locksmith	3	10.00d	3	724
A 354	Painter	34	10.00d	34	2,410
A 358	General Foreman Painter.....	1	300	1	75
A 364	Car and Auto Painter.....	14	10.00d	----	-----
A 370	General Foreman, Car and Auto Painter..	1	300	1	300
A 396	Lather	----	12.80d	----	-----
A 392	Plasterer	1	13.33d	1	346
A 404	Plumber	26	11.20d	26	9,280
A 408	General Foreman Plumber.....	1	330	1	360
A 412	Plumbing Inspector.....	8	250-300	8	5,640
A 416	Chief Plumbing Inspector.....	1	300-350	1	300
A 456	Sheet Metal Worker.....	11	10.00d	----	-----
A 458	Sub-Foreman Sheet Metal Worker.....	1	10.50d	----	-----
A 460	Foreman Sheet Metal Worker.....	1	300	----	-----
A 504	Steamfitter	11	11.00d	11	3,125
A 506	Foreman Steamfitter.....	1	325	1	600
A 551	Apprentice (for all trades and skilled occupations, as well as for building trades)	3	40% of the rate of craft for 1st yr.; 50% 2nd Yr. 65% 3rd Yr. 80% 4th Yr.	No basis for computation	
Totals.....		235		187	\$66,768

Division B

CLERICAL SERVICE

Class No.	CLASS TITLE	Total Number of Employees	Proposed Rate	INCREASES	
				Number	Amount Per Year
B 4	Bookkeeper	44	\$175-200	39	\$ 11,712
B 6	Senior Bookkeeper.....	15	200-245	14	7,140
B 7	Asst. Supervisor Disbursements, Controller	1	245-275	1	420
B 8	Supervisor Disbursements, Controller.....	1	275-350	1	900
B 10	Accountant	5	245-275	4	1,920
B 14	Senior Accountant.....	10	275-350	7	5,160
B 18	Chief Accountant, Purchasing Dept.....	1	275-350	....	.....
B 20	Financial Expert, Chief Adm. Officer.....	....	350-400	....	.....
B 21	Chief Assistant Controller.....	1	550-650	1	300
B 22	Asst. Supvr., Bureau of Accts., Utilities....	1	400-500	1	1,080
B 24	Auditor, Water Department.....	1	600-750	1	600
B 26	Supervisor, Budget Statistics.....	1	245-275	1	300
B 28	Supervisor, General Audits.....	1	350-400	....	.....
B 30	Supervisor, Utility Audits	1	350-400	....	.....
B 52	Executive Secretary, Assessor.....	1	350-450	1	2,400
B 53	Director of Public Relations, Utilities.....	1	350-450	1	600
B 55	Supervisor Pay Rolls.....	1	250-325	....	.....
B 57	Secretary, Art Commission.....	1	250-300	1	600
B 58	Secretary, Board of Education.....	1	350-450	1	300
B 59	Secretary War Memorial Board.....	1	250-325	1	600
B 60	Secretary Public Utilities Commission.....	1	275-350	1	600
B 61	Secretary Board of Permit Appeals.....	1	225-275	1	300
B 62	Chief Clerk of Elections.....	1	275-350	....	.....
B 64	Chief Clerk of Registrations.....	1	275-350	....	.....
B 66	Registrar of Voters.....	1	417-500	....	.....
B 68	Chief Clerk, Fire Dept.....	1	350-450	1	600
B 72	Secretary, Library Board.....	1	250-325	1	900
B 74	Confidential Secretary to Mayor.....	1	425	1	900
B 76	Executive Secretary to Mayor.....	1	650	1	3,000
B 80	Chief Clerk, Recorder.....	1	275-350	1	600
B 81	Recorder	1	417-500	....	.....
B 82	Secretary-Actuary, Retirement System.....	1	500-600	1	1,800
B 83	Consulting Actuary.....	....	50.00d	....	.....
B 84	Under Sheriff.....	1	350-450	1	1,800
B 85	Jury Commissioner, Municipal Court.....	1	400-500	1	600
B 86	Jury Commissioner, Superior Court.....	1	500-600	....	.....
B 88	Chief Asst. Clerk, Board of Supervisors..	1	300-400	....	.....
B 89	Director, Bureau of Licenses.....	1	225-275	1	300
B 90	Clerk, Board of Supervisors.....	1	500-600	1	600
B 91	Director, Bureau Delinquent Revenue.....	1	350-450	1	600
B 92	Chief Clerk, Tax Collector's Office.....	1	275-350	1	300
B 93	Tax Collector	1	417-500	....	.....
B 94	Chief Clerk, Public Works.....	1	350-450	1	600

Class No.	CLASS TITLE	Total Number of Employees	Proposed Rate	INCREASES	
				Number	Amount Per Year
B 95	Director Finance and Records.....	1	500-600	1	1,200
B 96	Managing Director, War Memorial.....	1	500-600	1	600
B 97	Executive Secretary, Chief Admin. Officer	1	300-375	1	600
B 98	Confidential Secretary, Sheriff.....	1	225-275	....	.....
B 102	Teller	7	200-245	7	2,160
B 104	Senior Teller.....	4	245-275	4	1,440
B 108	Chief Teller, Tax Collector.....	1	275-350	1	600
B 109	Cashier, Water Department.....	1	275-350	1	300
B 112	Asst. Cashier, Treasurer's Office.....	2	300-400	2	900
B 120	Supervisor Accounts and Records, Assessor	1	275-350	1	600
B 152	Court Room Clerk.....	30	200-225	30	7,560
B 154	Criminal Law Clerk.....	6	185-225	6	2,160
B 156	Senior Criminal Law Clerk.....	2	225-275	2	960
B 160	Civil Law Clerk.....	9	185-225	8	2,400
B 161	Cashier, County Clerk.....	1	250-300	1	960
B 162	Asst. Director Bur. Domestic Relations, District Attorney.....	1	200-250	1	300
B 163	Director Bur. of Domestic Relations, District Attorney.....	1	225-275	1	300
B 164	Senior Civil Law Clerk.....	8	225-275	8	1,500
B 165	Cashier, Municipal Court.....	1	250-300	....	.....
B 166	Chief Clerk, District Attorney.....	1	250-300	1	600
B 168	Chief Clerk, County Clerk's Office.....	1	275-350	1	600
B 169	County Clerk.....	1	417-500	....	.....
B 170	Chief Asst. Clerk, Municipal Court.....	1	\$275-350	1	\$ 600
B 172	Clerk, Municipal Court.....	1	500-600	1	1,200
B 173	Public Administrator.....	1	417-500	....	.....
B 174	Bond and Ordinance Clerk.....	1	200-250	....	.....
B 180	Law Clerk, Board of Education.....	1	275-350	1	600
B 185	Business Mgr., Recreation Dept.....	1	275-350	1	600
B 202	Judge of Elections.....	....	10.00d	....	.....
B 204	Inspector of Elections.....	....	10.00d	....	.....
B 210	Office Assistant.....	{ 7 } 5p	85-95	{ 6 } 5p	720 798
B 212	Special Messenger.....	1p	150-175	1p	1,200
B 222	General Clerk.....	{ 240 } 7p	150-185	{ 134 } 7p	40,920 9,540
B 228	Senior Clerk.....	29	185-225	23	7,560
B 234	Head Clerk.....	21	225-275	14	6,240
B 235	Director of Service, Assessor.....	1	225-275	1	300
B 236	WPA Project Supervisor.....	....	200-225	....	.....
B 237	Tax Redemption Clerk.....	1	185-225	1	300
B 238	Hospital Statistician.....	4	175-200	4	840
B 239	Statistician .....	....	200-250	....	.....
B 242	Blockbook Draftsman.....	1	200-250	1	300
B 244	Actuarial Clerk (as needed).....	225-275

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Class No.	CLASS TITLE	Total Number of Employees	Proposed Rate	INCREASES	
				Number	Amount Per Year
B 246	Map Clerk.....	1	150-185	1	360
B 247	Meter Reader.....	15	150-185	15	3,720
B 252	Court Interpreter.....	8	150-185	8	960
B 254	Interpreter-Typist	1	150-185	....	.....
B 301	Pay Roll Machine Operator.....	8	150-185	7	1,440
B 302	Addressing Machine Operator.....	7	150-185	7	2,580
B 304	Senior Addressing Machine Operator.....	1	185-215	....	.....
B 305	Voting Machine Adjuster.....	1	150-185	1	120
B 306	Multigraph Operator.....	1	150-185	1	240
B 308	Comptometer Operator.....	6	150-185	6	1,860
B 309	Rotary Type Calculating Machine Operator .....	....	150-185	....	.....
B 310a	Tabulating Alphabetical Key Punch Operator	3	150-185	3	1,200
B 310b	Tabulating Numerical Key Punch Operator	6	150-185	6	1,740
B 311	Bookkeeping Machine Operator.....	18	165-185	18	2,640
B 312	Senior Bookkeeping Machine Operator....	1	200-245	1	720
B 325	Blue Printer.....	1	150-175	....	.....
B 327	Photostat Operator.....	1	165-185	....	.....
B 330	Photographer, Water Service.....	1	175-200	....	.....
B 332	Photographer, Works.....	1	175-200	....	.....
B 352	Storekeeper	4	150-175	4	1,380
B 354	General Storekeeper.....	6	175-200	2	840
B 355	Custodian of Voting Machines.....	1	225-275	1	300
B 356	Senior Storekeeper.....	1	200-250	....	.....
B 357	Chief Storekeeper, Purchasing Dept.....	1	250-300	1	600
B 358	Assistant Stationery Buyer.....	1	175-225	....	.....
B 360	Printing and Stationery Buyer.....	1	225-275	1	300
B 362	Produce Buyer and Storekeeper.....	3	175-225	3	1,500
B 364	Produce Buyer and Gen. Storekeeper.....	2	225-275	1	600
B 366	Asst. Purchaser, General Supplies.....	3	225-275	3	2,100
B 368	Chief Asst. Purchaser, General Supplies..	....	350-450	....	.....
B 370	Railway Equipment Purchasing Agent....	1	225-275	1	300
B 371	Purchasing Agent, Water Service.....	1	275-350	1	300
B 372	Purchasing Agent, Other Services.....	1	275-350	....	.....
B 374	Purchaser of Supplies.....	1	667-833	....	.....
B 380	Armorer R.O.T.C. (as needed).....	1	75.00	....	.....
B 382	Supervisor Equipment and Supplies.....	1	175-225	1	300
B 408	General Clerk-Stenographer.....	{ 295 } 3p }	150-185	{ 264 } 3p }	85,200
B 412	Senior Clerk-Stenographer.....		185-225		3,540
B 413	Asst. Clerk, Board of Supervisors.....	3	225-275	3	900
B 414	Head Clerk-Stenographer.....	1	225-275	1	600
B 415	Confidential Secretary, Chief Admin. Officer	1	175-225	1	840

Class No.	CLASS TITLE	Total Number of Employees	Proposed Rate	INCREASES	
				Number	Amount Per Year
B 417	Executive Secretary, Controller.....	1	250-300	1	600
B 418	Confidential Secretary, Assessor.....	1	175-225	1	300
B 420	Phonographic Reporter.....	11	225-275 mo. 12.50 day plus transcripts	2	1,200
B 454	Telephone Operator.....	33	150	6	1,650
B 458	Chief Telephone Operator.....	1	175-200	1	240
B 460	Secretarial Telephone Operator.....	6	150-185	5	2,040
B 510	Braille Typist.....	1	150	.....	.....
B 512	General Clerk-Typist.....	{ 113 }	150-185	{ 89 }	26,820
B 516	Senior Clerk-Typist.....	{ 1p }	185-225	{ 1p }	1,266
		1		1	600
		1092		835	\$284,082
		17p		17p	16,764
Totals.....		1109		852	\$300,846

Division C CUSTODIAL SERVICE

Class No.	CLASS TITLE	Total Number of Employees	Proposed Rate	INCREASES	
				Number	Amount Per Year
C 2	Asst. Superintendent, Auditorium.....	1	\$225-275	1	\$ 900
C 4	Superintendent, Auditorium.....	1	275-350	1	1,680
C 6	Superintendent of Building, T. B. Hosp... ..	1	200-250	.....	.....
C 52	Elevator Operator.....	{ 29 }	145-155	{ 11 }	1,632
C 54	Elevator Starter.....	{ 1p }	155-170	{ 1p }	1,080
C 101	Dressing Room Maid (as needed).....	.....	.75 hour	.....	.....
C 102	Janitress	{ 114 }	130-140	{ 17 }	4,140
		{ 2p }		{ 2p }	1,470
C 104	Janitor	{ 299 }	145-155	{ 84 }	11,640
		{ 2p }		{ 2p }	2,454
C 105	Special Janitor.....	23	152.50-162.50	.....	.....
C 106	Sub-Foreman Janitor.....	22	155-170	6	780
C 107	Working Foreman Janitor (new class)....	.....	165-185	.....	.....
C 108	Foreman Janitor.....	3	170-195	3	660
C 110	Head Janitor.....	1	225-275	1	180
C 112	Superintendent of School Janitors.....	1	225-275	.....	.....
C 152	Watchman	33	145-155	25	3,750
C 153	Bridge Attendant.....	11	145-155	2	240
C 154	Keeper, Sheriff.....	7	145-155	.....	.....
C 156	Head Keeper, Sheriff.....	1	225-275	1	900
C 202	Window Cleaner.....	6	187.50-200	6	2,520
C 204	Sub-Foreman Window Cleaner.....	1	200-215	1	360
C 251	Supt. of Opera House Attendants.....	.....	1.00 hour	.....	.....
C 252	Opera House Attendants.....	.....	.75 hour	.....	.....
		555		159	\$29,382
		5p		5p	5,004
Totals.....		560		164	\$34,386

Division D

DETENTION SERVICE

Class No.	CLASS TITLE	Total Number of Employees	Proposed Rate	INCREASES	
				Number	Amount Per Year
D 2	Bailiff	27	\$190-210	26	\$ 4,056
D 3	Woman Bailiff.....	4	190-210	4	1,920
D 4	Sergeant-at-Arms, Supervisors.....	1	185-225	1	300
D 5	Detention Hospital Bailiff.....	1	220-250	1	360
D 6	Special Officer.....	---	150-175	---	---
D 52	Jail Matron.....	14	170-190	6	1,020
D 54	Head Jail Matron.....	2	190-225	2	360
D 60	Jailer	26	170-190	9	1,440
D 64	Captain of Watch.....	6	190-225	6	1,080
D 66	Superintendent of Jails.....	2	275-350	2	1,800
D 102	Writ Server.....	10	190-220	2	552
Totals.....		93		59	\$12,888

Division E

ELECTRICAL TRADES SERVICE

Class No.	CLASS TITLE	Total Number of Employees	Proposed Rate	INCREASES	
				Number	Amount Per Year
E 2	Line Inspector.....	1	\$240-265	1	\$ 480
E 4	Electrical Inspector.....	16	250-300	16	9,600
E 8	Chief Electrical Inspector.....	1	300-350	1	900
E 52	Fire Dispatcher.....	8	225-275	8	4,800
E 54	Chief Fire Dispatcher.....	1	275-325	1	600
E 104	Batteryman-Electrician	1	11.00d	1	521
E 106	Armature Winder.....	1	10.00d	1	300
E 107	Power House Electrician.....	1	11.00d	1	780
E 108	Electrician	17	11.00d	14	3,096
E 109	Stage Electrician.....	1	12.50d	---	---
E 110	Radio Maintenance Man.....	1	10.00d	1	521
E 112	Foreman Electrician.....	1	325	1	900
E 116	Superintendent of Plant, Electricity.....	1	300-350	1	300
E 120	Governorman	7	150-175	7	2,640
E 122	Power House Operator.....	11	175-200	11	3,900
E 128	Superintendent of Power House.....	2	200-250	1	480
E 130	Elevator Mechanic.....	1	12.00d	1	240
E 150	Lineman Helper.....	---	7.00d	---	---
E 151	Transmission Line-Patrolman Helper.....	1	7.00d	1	450
E 152	Transmission Line-Patrolman.....	2	9.60d	2	720
E 154	Lineman	20	9.60d	20	9,000
E 156	Cable Splicer.....	1	12.00d	1	635
E 160	Foreman Lineman.....	3	{ 220-5dw } { 265-6dw }	3	1,200
E 162	Foreman Lineman, Electricity.....	---	{ 220-5dw } { 265-6dw }	---	---
E 164	Foreman Lineman, Power Operation.....	1	{ 220-5dw } { 265-6dw }	1	180
Totals.....		100		95	\$42,243

Division F

ENGINEERING SERVICE

Class No.	CLASS TITLE	Number of Employees Total	Proposed Rate	Number INCREASES	Amount Per Year
F 2	Assistant Engineer, Water Service.....	1	\$425-525	1	\$ 300
F 4	Assistant City Engineer.....	1	500-650	---	-----
F 8	Utilities Engineer.....	1	667-833	1	1,600
F 10	City Engineer.....	1	650-833	1	2,200
F 51	Airport Attendant.....	7	150-175	7	2,160
F 52	Crew Chief, Airport.....	3	175-200	3	1,440
F 53	Control Tower Operator, Airport.....	4	200-250	4	4,080
F 54	Meteorologist	1	200-250	1	600
F 60	Asst. Superintendent of Airport.....	1	250-350	1	1,500
F 62	Manager of Airport.....	1	500-600	1	1,200
F 102	Architectural Draftsman.....	2	200-250	2	1,200
F 104	Architectural Estimator.....	---	275-350	---	-----
F 106	Architectural Designer.....	---	275-350	---	-----
F 108	Architect	---	325-400	---	-----
F 112	City Architect.....	1	500-600	---	-----
F 158	City Planning Engineer and Secretary.....	1	275-375	1	300
F 202	Inspector of Public Works Construction..	4	175-200	---	-----
F 204	Civil Engineering Inspector.....	37	225-250	32	9,600
F 206	Senior Civil Engineering Inspector.....	3	250-300	3	1,500
F 208	Chief Civil Engineering Inspector, Minor Projects.....	1	300-350	1	600
F 210	Chief Civil Engineering Inspector, Major Projects.....	1	325-425	1	300
F 212	Engineering Assistant, Power Operative Division.....	1	225-250	1	150
F 214	Construction Engineer.....	1	325-375	1	900
F 216	Maintenance of Way Engineer, Railway..	1	300-350	1	600
F 220	General Superintendent of Streets.....	1	500-600	1	1,200
F 252	Junior Civil Engineering Draftsman.....	12	160-200	11	4,740
F 254	Civil Engineering Draftsman.....	28	200-250	24	12,240
F 255	City Planning Draftsman.....	1	200-250	---	-----
F 256	Cartographer and Art Designer.....	1	200-250	1	480
F 258	Senior Civil Engineering Draftsman.....	13	250-300	13	7,500
F 260	Civil Engineering Designer.....	8	275-350	7	4,800
F 262	Sanitary Engineering Designer.....	2	275-350	2	900
F 270	Chief Civil Engineering Designer.....	1	425-525	1	600
F 304	Supervisor of Playground Construction and Maintenance.....	1	275-350	---	-----
F 320	Senior Civil Engineer.....	1	425-525	---	-----
F 351	Junior Electrical Engineer.....	2	175-250	2	2,160
F 352	Electrical Draftsman.....	1	200-250	1	600
F 354	Electrical Engineering Designer.....	1	275-350	1	1,200
F 356	Electrical Engineering Inspector.....	6	250-300	6	4,860
F 360	Assistant Electrical Engineer.....	---	300-375	---	-----

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Class No.	CLASS TITLE	Total Number of Employees	Proposed Rate	INCREASES	
				Number	Amount Per Year
F 362	Electrical Engineer.....	3	350-425	3	2,700
F 366	Chief, Department of Electricity.....	1	500-600	1	1,200
F 370	Chief Electrical Engineer.....	....	550-650	....	.....
F 372	Manager and Chief Engineer, Electric Power Bureau.....	1	833.33	....	.....
F 401	Junior Hydraulic Engineer.....	3	175-250	3	3,240
F 404	Hydraulic Engineering Designer.....	8	275-350	7	9,060
F 406	Assistant Hydraulic Engineer.....	2	300-375	2	2,040
F 408	Hydraulic Engineer.....	2	350-425	2	900
F 452	Mechanical Draftsman.....	6	200-250	6	3,300
F 454	Mechanical Engineering Designer.....	8	275-350	8	8,820
F 456	Designer, Railway Equipment.....	1	275-350	1	720
F 460	Assistant Mechanical Engineer.....	1	300-375	1	1,500
F 462	Mechanical Engineer	1	350-425	1	1,500
F 502	Engineer of Assessments and Complaints	1	275-325	1	900
F 506	Engineer of Grades.....	1	275-325	1	300
F 510	Engineer of Street Improvement Investigations	2	275-325	2	900
F 514	Engineer of Street Improvement Plans....	1	300-375	1	900
F 518	Office Engineer.....	3	300-375	3	1,800
F 524	Water Purification Engineer.....	5	200-250	5	4,140
F 526	Chief Water Purification Engineer.....	1	300-350	....	.....
F 552	Structural Draftsman.....	3	200-250	3	1,800
F 554	Structural Engineering Designer.....	1	275-350	1	900
F 558	Structural Engineer.....	3	275-350	3	1,800
F 560	Superintendent, Bureau of Building Inspection	1	500-650	1	1,800
F 605	Surveyor's Field Assistant.....	28	175-200	5	1,500
F 610	Surveyor	6	250-300	6	2,400
F 612	Office Surveyor.....	1	250-300	1	900
F 614	Assistant Chief Surveyor.....	1	300-350	1	600
F 616	Chief Surveyor.....	1	350-400	1	900
F 664	Traffic Engineer.....	....	300-375	....	.....
F 702	Valuation Engineer.....	1	250-300	....	.....
F 704	Senior Valuation Engineer.....	....	300-375	....	.....
F 706	Chief Valuation Engineer.....	1	600-750	....	.....
Totals.....		251		203	\$128,030

Division G
EXAMINING AND EVALUATION SERVICE

Class No.	CLASS TITLE	Total Number of Employees	Proposed Rate	INCREASES	
				Number	Amount Per Year
G 2	Land Appraiser.....	....	\$200-250	....	.....
G 4	Supervising Land Appraiser.....	1	250-300	....	.....
G 5	Chief Land Appraiser.....	1	300-350	1	\$ 240
G 8	Building Appraiser.....	....	200-250	....	.....
G 10	Supervising Building Appraiser.....	4	250-300	....	.....

Class No.	CLASS TITLE	Total Number of Employees	Proposed Rate	INCREASES	
				Number	Amount Per Year
G 11	Chief Building Appraiser.....	1	300-350	1	240
G 15	Property Auditor (new class).....	....	175-225	....	.....
G 16	Supervising Personal Property Appraiser	5	250-300	....	.....
G 17	Chief Personal Property Appraiser.....	1	300-350	1	240
G 20	Chief Assistant Assessor.....	1	375-450	1	600
G 51	Junior Personnel Assistant (new class)....	3	150-185	3	1,260
G 54	Special Civil Service Examiner.....	....	10.00d	....	.....
G 58	Civil Service Examiner.....	5	225-300	4	2,700
G 59	Assistant Personnel Expert.....	2	225-300	1	900
G 59¼	Supervisor of Classifications and Salary Schedules (new class).....	....	300-350	....	.....
G 59½	Supervisor of Examinations (new class)..	....	300-350	....	.....
G 60	Personnel Expert.....	1	350-450	....	.....
G 62	Chief Examiner and Secretary, Civil Service.....	1	500-600	1	1,600
G 106	Claims Adjuster.....	1	350-450	1	1,200
G 152	License Adjuster.....	3	200-250	2	840
G 202	Division Right of Way Agent.....	2	250-300	....	.....
G 204	Assistant Chief Right of Way Agent.....	1	350-450	1	900
G 206	Chief Right of Way Agent.....	1	600-750	1	1,800
Totals.....		34		18	\$12,520

Division I INSTITUTIONAL SERVICE

Class No.	CLASS TITLE	Total Number of Employees	Proposed Rate	INCREASES	
				Number	Amount Per Year
I 2	Kitchen Helper.....	106	\$75-\$90	106	\$ 19,080
I 6	Pastry Cook.....	1	200	1	300
I 8	Head Baker.....	1	230	1	480
I 10	Cook's Assistant.....	3	100	3	180
I 12	Cook	{ 19 } { 2p }	175	{ 18 } { 2p }	3,690 2,400
I 14	Junior Chef.....	5	200	5	1,086
I 16	Chef	2	250	2	1,200
I 22	Butcher	1	190	1	780
I 24	Senior Butcher.....	1	216	....	.....
I 26	Hog Killer.....	....	9.00d (as needed)	....	.....
I 54	Waitress	13	130	13	3,120
I 56	Waiter	8	130	8	1,920
I 58	Dining Room Steward.....	1	156	1	192
I 60	Housekeeper	{ 1 } { 3p }	90-110	{ } { 3p }	..... 3,060
I 102	Inmate Help .....	....		....	.....
I 106	Morgue Attendant.....	1	100-125	1	360
I 112a	Steward	1	200-225	....	.....
I 112b	Stewardess	1	200-225	....	.....

Class No.	CLASS TITLE	Total Number of Employees	Proposed Rate	INCREASES	
				Number	Amount Per Year
I 116	Orderly	221	90-115	221	79,560
I 120	Senior Orderly.....	10	115-135	5	1,650
I 122	House Mother.....	{ 2 }	125-135	{ 2 }	690
I 152	Flatwork Ironer.....	{ 1p }		{ 1p }	420
I 154	Laundress	14	100	14	1,680
I 154	Laundress	18	114	18	3,024
I 156	Starcher	1	130	---	---
I 158	Sorter	1	140	1	120
I 164	Marker and Distributor.....	2	148	2	432
I 166	Wringerman	1	148	1	140
I 170	Washer	3	148	3	858
I 172	Head Washer.....	1	167	1	144
I 174	Supt. Laundry, Laguna Honda.....	1	175-225	1	432
I 178	Supt. Laundry, S. F. Hospital.....	1	200-275	1	900
I 204	Porter	194	90-115	194	69,840
I 206	Porter Sub-Foreman.....	1	115-130	1	456
I 208	Porter Foreman.....	1	130-150	1	600
I 210	Head Porter.....	1	150-175	1	420
I 254	Seamstress	5	100-120	3	1,290
I 256	Head Seamstress.....	2	120-140	1	180
I 302	Instructor in Basketry.....	1	130-140	1	450
I 304	Instructor in Weaving.....	1	130-140	1	60
		647		633	\$195,314
		6p		6p	5,880
Totals.....		653		639	\$201,194

Division J LABOR SERVICE

Class No.	CLASS TITLE	Total Number of Employees	Proposed Rate	INCREASES	
				Number	Amount Per Year
J 4	Laborer	324	\$6.50d	324	\$42,780
J 6	Water Pipe Welder.....	---	7.50d	---	---
J 10	Labor Sub-Foreman.....	12	7.00d	9	1,143
J 12	Labor Foreman.....	5	7.50d	3	404
J 54	Book Repairer.....	6	120.00	6	840
J 58	Disinfector	---	167.50	---	---
J 66	Garageman	10	6.50d	3	210
J 67	Vulcanizer	1	6.50d	---	---
J 70	Hostler	10	180	---	---
J 72	Playground Caretaker.....	51	145-155	2	240
J 74	Rat Catcher.....	6	145-155	6	2,880
J 76	Traffic Button Maintenance Man.....	1	6.50d	---	---
J 78	Stockman	14	155-180	3	720
J 80	Foreman Stockman.....	1	180-205	---	---
J 108	District Director of Street Cleaning.....	3	200-250	3	540

Class No.	CLASS TITLE	Total Number of Employees	Proposed Rate	INCREASES	
				Number	Amount Per Year
J 112	Supt. Street Cleaning.....	1	300-400	1	900
J 152	Trackman	48	.81¼ hour	48	7,200
J 160	Track Welder.....	2	7.50d	2	624
J 162	Car Repair Welder.....	2	7.50d	....	.....
J 166	Track Foreman.....	3	.93¾ hour	3	1,080
J 168	General Foreman Track Maintenance.....	1	200	....	.....
Totals.....		501		413	\$59,561

Division K LEGAL SERVICE

Class No.	CLASS TITLE	Total Number of Employees	Proposed Rate	INCREASES	
				Number	Amount Per Year
K 4	Attorney, Civil.....	{ 4 }	*Up to 350	{ 4 }	\$ 3,900
		{ 2p }		{ 2p }	1,800
K 6	Senior Attorney, Civil.....	{ 5 }	*Up to 450	{ 4 }	3,900
		{ 1p }		{ 1p }	3,000
K 8	Principal Attorney, Civil.....	2	*Up to 800	1	3,600
K 12	Chief Attorney, Civil.....	1	*Up to 800	1	2,400
K 16	Special Counsel, Water Service.....	1	*Up to 800	....	.....
K 54	Attorney, Criminal.....	6	*Up to 300	6	4,320
K 56	Senior Attorney, Criminal.....	12	*Up to 400	11	14,520
K 58	Principal Attorney, Criminal.....	3	*Up to 500	3	6,900
		34		30	\$39,540
		3p		3p	4,800
Totals.....		37		33	\$44,340

*For service as needed. Respective salary rates to be based on amount of time required and to be fixed each year in the Salary Ordinance.

Division L MEDICAL SERVICE

Class No.	CLASS TITLE	Total Number of Employees	Proposed Rate	INCREASES	
				Number	Amount Per Year
L 2	Asst. Superintendent, S. F. Hospital, General Division.....	1	\$275-350	1	\$ 900
L 6	Supt. of San Francisco Hospital.....	1	625-750	1	200
L 8	Asst. to Superintendent, Laguna Honda Home.....	1	275-325	1	600
L 10	Superintendent, Laguna Honda Home.....	1	833.33	1	1,200
L 16	Asst. Director of Health.....	1	450-550	1	2,100
L 18	Director of Health.....	1	750-917	1	1,000
L 52	Bacteriological Laboratory Technician.....	4	135-160	4	1,380
L 54	Asst. Bacteriologist.....	1	160-175	1	900
L 56	Bacteriologist	4	175-225	3	1,800
L 58	Director of Laboratories.....	....	375-450	....	.....
L 60	Bacteriological Milk Inspector.....	1	250-300	1	600
L 62	Pathologist	1p	*Up to 225	1p	1,200
L 64	Consultant Bacteriologist.....	1p	*Up to 100	1p	300

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Class No.	CLASS TITLE	Total Number of Employees	Proposed Rate	INCREASES	
				Number	Amount Per Year
L 70	Physiotherapist	1p	*Up to 100	----	-----
L 72	Electro-Cardiograph Technician.....	2p	*Up to 100	2p	600
L 102	Food Chemist's Assistant.....	2	135-160	2	1,200
L 104	Food Chemist.....	2	175-225	1	600
L 106	Senior Food Chemist.....	1	225-275	1	300
L 110	Toxicologist	1p	*Up to 300	1p	1,800
L 114	Engineering Chemist.....	1	225-275	1	600
L 116	Senior Engineering Chemist.....	1	350-450	1	600
L 152	Dental Hygienist.....	4	150-175	4	1,200
L 156	Dentist	17p	*Up to 100	3p	1,800
L 160	Director of Dental Bureau.....	1p	*Up to 250	----	-----
L 202	Dietitian	5	150-175	5	2,250
L 206	Chief Dietitian.....	1	175-225	1	600
L 252	Optometrist	1p	*Up to 150	----	-----
L 304	Pharmacist	4	175-225	3	1,140
L 306	Senior Pharmacist.....	2	225-275	2	1,080
L 352	Interne	51	37.00	51	3,060
L 354	House Officer.....	27	47.00	----	-----
L 356	Senior House Officer.....	7	72.00	7	1,050
L 357	Resident Physician.....	----	135	----	-----
L 360	Physician	{ 10 } { 29p }	*Up to 325	{ 9 } { 29p }	16,200 50,400
L 362	Supervisor of City Physicians.....	1	*Up to 400	1	1,200
L 363	Resident Physician and Supt. Hassler Health Home.....	1	350-450	1	1,200
L 364	Pediatrician	{ 2 } { 19p }	*Up to 300	{ 2 } { 19p }	1,200 35,400
L 368	Director of Bureau of Child Hygiene.....	1	500-600	1	2,600
L 370	Epidemiologist	6p	*Up to 300	6p	5,400
L 371	Director of Bureau of Communicable Diseases	1p	500-600	1p	3,000
L 373	Physician in Communicable Diseases.....	----	350-450	----	-----
L 404	Psychologist	{ 6 } { 1p }	150-175	{ 4 } { 1p }	1,200 1,200
L 408	Psychiatrist (proposed for retitling of Chief Psychologist).....	2p	*Up to 300	2p	3,000
L 452	X-Ray Technician.....	6	135-160	6	2,286
L 456	Senior X-Ray Technician.....	1	160-185	----	-----
L 502	Autopsy Surgeon.....	{ 1 } { 1p }	*Up to 400	{ 1 } { 1p }	900 3,600
L 504	Emergency Hospital Surgeon.....	12	*Up to 200	----	-----
L 506	Asst. Chief Surgeon Emergency Hospitals	1	*Up to 400	1	2,100
L 508	Chief Surgeon Emergency Hospitals.....	1	*Up to 600	1	4,200
L 602	Audiometer Technician.....	1	135-160	1	420
		168		122	\$ 58,866
		84p		67p	107,700
Totals.....		252		189	\$166,566

*For services as needed. Respective salary rates to be based on the amount of time required, and to be fixed each year in the Salary Ordinance.

Division M

METAL TRADES SERVICE

Class No.	CLASS TITLE	Total Number of Employees	Proposed Rate	INCREASES	
				Number	Amount Per Year
M 2	General Foreman Machinist.....	1	\$300	....	.....
M 3	Supt. Fire Equipment Repair Shop.....	1	350-400	1	\$ 600
M 4	Master Mechanic Fire Dept.....	1	300-350	....	.....
M 5	Asst. Superintendent of Equipment and Overhead, Railway.....	1	300-375	1	900
M 6	Superintendent of Equipment and Overhead, Railway.....	1	375-425	1	900
M 54	Auto Machinist.....	25	10.00d	25	6,629
M 55	Sub-Foreman, Auto Machinist.....	....	10.50d	....	.....
M 56	Garage Foreman.....	1	300	1	600
M 60	Auto Fender and Body Worker.....	1	10.00d	1	260
M 104	Blacksmith's Helper.....	7	7.20d	4	122
M 108	Blacksmith	7	10.40d	7	2,663
M 154	Boilermaker's Helper (Shop).....	1	7.20d	....	.....
M 156	Boilermaker (Shop).....	1	10.00d	1	260
M 158	Boiler Inspector.....	1	225-250	....	.....
M 202	Car Repairer.....	49	.85 hour	....	.....
M 206	Sub-Foreman Car Repairer.....	5	.91¼ hour	....	.....
M 208	Foreman Car Repairer.....	2	.97½ hour	....	.....
M 252	Machinist's Helper.....	2	6.80d	....	.....
M 254	Machinist	17	10.00d	13	3,967
M 255	Brace Maker.....	1	10.00d	1	1,674
M 256	Mechanical Inspector.....	1	225-250	1	300
M 260	Instrument Maker.....	5	10.00d	....	.....
M 264	Foreman Instrument Maker.....	1	{230-5dw} {275-6dw}	1	300
M 266	Foreman Meter Repairer.....	1	200-225	1	300
M 268	Foreman Machinist, Water Service.....	1	275	....	.....
Totals.....		134		59	\$19,475

Division N

MISCELLANEOUS INSPECTION SERVICE

Class No.	CLASS TITLE	Total Number of Employees	Proposed Rate	INCREASES	
				Number	Amount Per Year
N 4	Coroner's Investigator.....	3	\$200-230	3	\$ 540
N 8	Coroner's Chief Investigator.....	1	230-280	1	360
N 10	Coroner	1	417-500	....	.....
N 52	Food and Restaurant Inspector.....	20	175-200	13	2,700
N 53	Asst. Chief Food Inspector.....	3	200-250	3	900
N 54	Chief Food Inspector.....	1	250-325	....	.....
N 56	Market Inspector.....	14	190-225	14	6,600
N 58	Chief Market Inspector.....	1	225-275	1	600
N 60	Abattoir Inspector.....	8	200-250	8	4,800
N 62	Veterinarian	9	200-250	9	5,364

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Class No.	CLASS TITLE	Total Number of Employees	Proposed Rate	INCREASES	
				Number	Amount Per Year
N 64	Dairy Inspector.....	5	200-225	2	600
N 102	Light and Water Complaint Investigator	1	200-250	1	600
N 110	Pipe Joint Inspector.....	---	162.50	---	---
N 154	Horticultural Inspector.....	5	175-200	5	1,500
N 155	Senior Horticultural Inspector.....	1	200-250	1	600
N 156	County Agricultural Commissioner.....	1	300-400	---	---
N 204	Housing Inspector.....	9	175-200	---	---
N 205	Industrial Inspector.....	3	175-200	---	---
N 206	Chief Housing Inspector.....	1	250-300	1	300
N 208	Chief Industrial Inspector.....	1	225-275	---	---
N 252	Street Inspector.....	4	175-200	---	---
N 302	Inspector of General Supplies.....	2	200-250	2	1,020
N 354	Inspector of Weights and Measures.....	4	175-200	1	300
N 356	Senior Inspector of Weights and Measures	1	200-250	---	---
N 358	Sealer of Weights and Measures.....	1	300-400	1	900
N 404	Inspector of Complaints, Mayor's office....	1	300-350	1	600
N 410	Investigator	1	175-225	1	300
N 420	Consumers Complaint Investigator.....	1	200-250	1	300
Totals.....		103		69	\$28,884

Division O MISCELLANEOUS TRADES SERVICE

Class No.	CLASS TITLE	Total Number of Employees	Proposed Rate	INCREASES	
				Number	Amount Per Year
O 1	Chauffeur, Passenger Cars.....	1	\$200	---	---
		5	225*	2	\$ 600
	Trucks				
	2½-ton.....	11	8.00d	11	4,021
	3¾-ton.....	17	8.60d	17	4,218
	6¼-ton.....	27	9.15d	27	7,682
	7½-ton.....	---	9.75d	---	---
	Over 7½-ton.....	---	10.30d	---	---
	Tractor	1	10.30d	1	599
O 6	Ambulance Driver.....	19	200	5	1,140
O 8	Morgue Ambulance Driver.....	4	200	1	300
O 16	Truck Driver—Laborer.....	1	6.50d	1	150
O 18	Sub-Station Foreman and Truck Driver..	1	9.15d	1	299
O 52	Farmer	3	135-155	2	420
O 54	Foreman, Buildings and Grounds.....	2	175-200	---	---
O 58	Gardener	26	135-155	21	3,450
O 60	Head Gardener.....	2	155-175	1	300
O 60a	Head Gardener, Utilities.....	1	155-175	1	300
O 61	Foreman Gardener, Schools.....	1	175-200	---	---
O 62	Superintendent of Grounds, Recreation..	1	200-225	1	300
O 104	Moving Picture Operator.....	1	175-200	---	---
O 108	Leatherworker	1	8.50d	---	---

Class No.	CLASS TITLE	Total Number of Employees	Proposed Rate	INCREASES	
				Number	Amount Per Year
O 116	Teamster, 2-horse vehicle.....	....	6.50d	....	.....
O 122	Window Shade Worker.....	2	8.80d	....	.....
O 152	Engineer of Hoisting and Portable Engines	6	12.00d	6	937
O 158	Motor Boat Operator.....	4	200	....	.....
O 166	Fireman of Stationary Steam Engines.....	25	185	4	600
O 168	Engineer of Stationary Steam Engines....	56	236.50	56	10,848
O 170	Asst. Chief Engineer of Stationary Steam Engines, Water.....	1	250	1	180
O 172	Chief Engineer of Stationary Steam Engines, Water.....	1	275-325	1	540
O 172a	Chief Engineer of Stationary Steam Engines, Works.....	3	275-325	3	1,440
O 172b	Chief Engineer of Stationary Steam Engines, Health.....	1	275-325	1	300
O 172c	Chief Engineer of Stationary Steam Engines, Water.....	1	275-325	1	720
O 172d	Chief Engineer of Stationary Steam Engines, School.....	1	275-325	1	180
O 202	Sewer Pumping Station Attendant.....	1	145-155	....	.....
O 204	Cribber	40	8.80d	....	.....
O 208	General Foreman Sewer Connections and Repairs.....	2	270	2	780
O 210	Sewer Cleaner.....	17	9.50d	....	.....
O 214	Asst. Superintendent Bureau of Sewer Repairs	2	270-320	1	840
O 216	Superintendent, Bureau of Sewer Repairs	1	375-450	1	600
O 252	Dryer Man.....	1	9.80d	1	208
O 254	Foreman, Asphalt Plant.....	1	10.80d	1	208
O 260	Rammer	4	7.80d	4	833
O 264	Paver	2	8.80d	2	417
O 268	Granite Cutter.....	6	9.00d	....	.....
O 270	Foreman, Granite Cutter.....	....	10.00d	....	.....
O 274	Asphalt Mixer Man.....	2	9.80d	2	417
O 276	Asphalt Worker.....	32	8.30d	32	6,666
O 278	Asphalt Finisher.....	14	8.80d	14	2,917
O 280	Sub-Foreman Asphalt Finisher.....	....	9.30d	....	.....
O 282	Foreman Asphalt Finisher.....	2	9.80d	2	417
O 294	General Foreman of Street Repair.....	3	270	2	780
O 298	Supervisor of Street Repair.....	1	300-350	1	300
O 304	Hydrantman-Gateman	13	190-215	1	120
O 308	Assistant Foreman Hydrantman- Gateman .....	....	227.50	....	.....
O 310	Foreman Hydrantman-Gateman.....	1	240	....	.....
Totals.....		371		232	\$55,027

*For positions carrying unusual hours.

Division P NURSING SERVICE

Class No.	CLASS TITLE	Total Number of Employees	Proposed Rate	INCREASES	
				Number	Amount Per Year
P 2	Emergency Hospital Steward.....	28	\$175-225	28	\$12,540
P 4	Chief Emergency Hospital Steward.....	1	275-350	1	1,200
P 52	Field Nurse.....	70	160-180	70	7,200
P 54	Supervising Field Nurse.....	10	180-200	1	300
P 58	Director of Field Nursing.....	1	225-300	....	.....
P 101	Chinese Visiting Nurse.....	1	160-180	1	60
P 102	Registered Nurse.....	204	135-160	190	57,240
P 103	Special Nurse.....		Still to be Fixed		
P 104	Head Nurse.....	40	160-180	40	16,800
P 110	Asst. Superintendent of Nursing, S. F. Hospital.....	4	180-200	3	900
P 112	Superintendent of Nursing, Hassler Health Home.....	1	175-200	1	480
P 116	Superintendent Isolation Hospital.....	1	180-200	1	480
P 118	Superintendent of Nursing, Laguna Honda Home.....	1	200-250	1	180
P 122	Director of Institutional Nursing.....	1	250-325	1	480
P 204	Anæsthetist	4	160-180	4	960
P 206	Senior Anæsthetist.....	1	180-200	1	180
P 208	Operating Room Nurse.....	20	160-180	20	9,720
P 210	Senior Operating Room Nurse.....	1	180-200	1	180
P 212	Head Nurse, Obstetrical.....	1	160-180	1	240
P 214	Head Nurse, Pediatric.....	1	160-180	1	240
P 216	Head Nurse, Psychiatric	1	160-180	1	240
P 304	Instructor of Nursing.....	2	180-200	2	960
P 306	Senior Instructor of Nursing.....	1	200-250	1	780
Totals.....		395		370	\$111,360

Division R RECREATION SERVICE

Class No.	CLASS TITLE	Total Number of Employees	Proposed Rate	INCREASES	
				Number	Amount Per Year
R 2	Secretary and Supervisor of Special Activities, Recreation.....	1	\$225-275	1	\$ 300
R 3	Asst. Superintendent, Recreation.....	1	250-300	1	480
R 4	Superintendent Recreation Dept.....	1	400-500	1	1,200
R 56	Playground Director.....	{ 52 } { 14p }	150-185 (Temp. Wk. .75 hour)	{ 51 } { 14p }	16,320 18,480
R 101	Camp Assistant.....	2p	90-110	2p	732
R 102	Camp Manager.....	1	250-300	1	813
R 105	Supervisor of Athletics, Male.....	1	225-275	1	600
R 106	Supervisor of Dramatics.....	1	175-225	....	.....
R 107	Supervisor of Athletics, Female.....	1	225-275	1	600
R 108	Supervisor of Music.....	{ 1 } { 1p }	175-225	{ 1 } { 1p }	180 2,100
R 112	Matron, Swimming Pool.....	2	130-140	2	420

Class No.	CLASS TITLE	Total Number of Employees	Proposed Rate	INCREASES	
				Number	Amount Per Year
R 114	Swimming Instructor	3	150-175	2	420
R 116	Supervisor of Swimming.....	1	175-225	1	360
		66		63	\$21,693
		17p		17p	21,312
Totals.....		83		80	\$43,005

Division S STREET RAILWAY SERVICE

Class No.	CLASS TITLE	Total Number of Employees	Proposed Rate	INCREASES	
				Number	Amount Per Year
S 10	Manager, Municipal Railway.....	1	\$667-833	1	\$ 1,600
S 60	Instructor, Railway.....	1	225-275	1	420
S 102	Conductor	427	.75 hour*	---	-----
S 104	Motorman	420	.75 hour*	---	-----
S 106	Bus Operator.....	50	.80 hour*	---	-----
S 110	Inspector	30	165-200	18	5,580
S 114	Claims Investigator.....	2	250-325	2	2,880
S 120	Day Dispatcher.....	2	200-225	2	360
S 124	Supervisor of Schedules.....	1	200-225	1	180
S 128	Division Superintendent.....	2	225-300	2	600
S 130	Asst. Superintendent of Transportation....	1	300-400	1	1,200
S 132	Superintendent of Transportation.....	1	400-500	1	1,800
Totals.....		938		29	\$14,620

*10c per hour extra for instructing new employees when so assigned by Superintendent of Municipal Railway.

Division T WELFARE SERVICE

Class No.	CLASS TITLE	Total Number of Employees	Proposed Rate	INCREASES	
				Number	Amount Per Year
T 2	Male Attendant, Detention Home.....	6	\$135-155	5	\$ 840
T 4	Woman Attendant, Detention Home.....	8	135-155	8	3,594
T 10	Asst. Superintendent, Detention Home....	1	150-185	1	120
T 12	Superintendent Juvenile Detention Home	1	200-250	1	510
T 56	Probation Officer.....	20	175-225	19	4,920
T 57	Psychiatric Social Service Investigator.....	1	175-225	1	540
T 58	Probation Officer—Stenographer.....	1	175-225	1	180
T 60	Senior Probation Officer.....	3	225-275	3	1,500
T 64	Referee, Juvenile Court.....	1	*250-300	1	600
T 70	Chief Adult Probation Officer.....	1	300-400	1	900
T 72	Chief Juvenile Probation Officer.....	1	350-450	1	840
T 74	Collector for the Juvenile Court.....	1	175-225	1	540
T 152	Junior Social Service Investigator.....	40	150-175	40	10,740
T 156	Social Service Investigator.....	53	175-200	52	25,260
T 156m	Social Service Investigator (Male).....	---	175-200	---	-----

Class No.	CLASS TITLE	Total Number of Employees	Proposed Rate	INCREASES	
				Number	Amount Per Year
T 158	Supervisor of Inquiries.....	1	200-225	1	540
T 160	Senior Social Service Investigator.....	2	200-250	2	540
T 161	Case Supervisor.....	3	200-250	3	900
T 162	Director of County Welfare Bureau.....	1	250-350	1	600
T 163	Director of Public Welfare.....	1	600-750	1	3,000
T 166	Director of Indigent Relief.....	1	250-350	1	1,200
T 218	Supervisor of Single Men's Registry.....	1	200-225	1	540
Totals.....		148		145	\$58,404

*For services as needed.

Division U WATER SERVICE

Class No.	CLASS TITLE	Total Number of Employees	Proposed Rate	INCREASES	
				Number	Amount Per Year
U 44	General Manager and Chief Engineer.....	1	\$833.33	....	.....
U 51	Supervisor of Docks and Shipping.....	1	225-275	....	.....
U 52	Supervisor of Collections.....	1	250-300	....	.....
U 56	Asst. Supervisor Consumers Accounts....	1	250-300	1	\$ 120
U 60	Supervisor of Consumers Accounts.....	1	275-350	....	.....
U 61	Supervisor of Service and Supply.....	1	225-250	1	300
U 62	Supervisor of Closing Bills.....	1	225-250	1	300
U 63	Chief Adjuster.....	1	225-250	1	300
U 80	Asst. Manager, Water Sales.....	1	300-400	1	300
U 88	Manager, Water Sales.....	1	400-500	1	300
U 104	Leadman .....	....	6.00d	....	.....
U 108	Compressor Operator, Portable.....	1	8.00d	1	510
U 112	Pipe Calker.....	3	8.00d	3	390
U 114	Main Pipe Foreman.....	1	8.50d	1	225
U 116	Serviceman	2	8.00d	2	300
U 120	Gateman	8	8.50d	8	1,800
U 122	Shut-off Man.....	7	175-185	7	840
U 123	Service Inspector.....	1	200-225	1	480
U 124	Special Complaint Inspector.....	1	200-250	1	600
U 125	Hoseman, Ships and Docks.....	2	175-200	2	600
U 126	Meter Inspector	6	175-200	6	1,800
U 128	Chief Meter Inspector.....	1	200-225	1	120
U 130	Reservoir Keeper.....	15	150-175	15	3,540
U 132	Contractor's and Builder's Inspector.....	1	200-225	....	.....
U 136	General Foreman, Service and Meters.....	1	275	....	.....
U 140	General Foreman, Main Pipes.....	1	300	....	.....
U 142	Asst. Superintendent, City Distribution..	1	300-375	1	300
U 144	Superintendent, City Distribution.....	1	400-500	....	.....
U 206	Water Department Worker.....	4	6.50d	4	1,080
U 212	Ranger	5	150-175	5	1,920
U 214	Pump Operator	{ 6 }	150-175	{ 6 }	825
U 215	Head Pump Operator.....	{ 1p }	185	{ 1p }	1,500
		5		1	300

Class No.	CLASS TITLE	Total Number of Employees	Proposed Rate	INCREASES	
				Number	Amount Per Year
U 225	General Maintenance Foreman, Coast Range Division.....	....	225	....	.....
U 226	General Maintenance Foreman.....	1	225	1	300
U 228	Meterman, Country.....	1	175-200	1	300
U 230	Maintenance Foreman.....	3	200	....	.....
U 231	Asst. Superintendent, Alameda District..	1	200-250	1	300
U 232	Superintendent, Alameda District.....	1	250-300	....	.....
U 236	Asst. Superintendent, Peninsula District..	1	275-325	1	300
U 246	Superintendent, Peninsula District.....	1	400-500	1	400
		92		76	\$18,850
		1p		1p	1,500
Totals.....		93		77	\$20,350

Division V AGRICULTURE SERVICE

Class No.	CLASS TITLE	Total Number of Employees	Proposed Rate	INCREASES	
				Number	Amount Per Year
V 8	Sub-Foreman, Agriculture.....	1	\$6.50d	....	.....
V 20	Agricultural Assistant.....	....	175-200	....	.....
V 30	Asst. Superintendent Agriculture.....	1	200-250	1	\$600
V 40	Superintendent Agriculture.....	1	250-300	....	.....
Totals.....		3		1	\$600

Classification Changes as per Supplemental Report of January 3, 1939

Class No.	CLASS TITLE	Total Number of Employees	Proposed Rate	INCREASES	
				Number	Amount Per Year
A 158	Sub-Foreman Carpenter.....	....	230—5 d.w.	....	.....
		....	275—6 d.w.	....	.....
A 161	General Foreman Carpenter—Works.....	....	300	....	.....
A 357	Foreman Painter.....	....	11d	....	.....
B 9	Supervisor of Financial Reports—Bd. Ed. ....	....	200-245	....	.....
B 11	Cost Analyst .....	....	245-275	....	.....
B 31	Supervisor, Bureau Cost Accounts, Works ....	....	275-325	....	.....
B 69	Secretary, Coordinating Council.....	....	325-375	....	.....
B 73	Exposition Hostess .....	....	200	....	.....
B 77	Executive Secretary to Mgr. of Utilities....	....	300-375	....	.....
B 78	S. F. Exposition Commissioner.....	....	500	....	.....
B 79	Asst. S. F. Exposition Commissioner.....	....	250	....	.....
B 100	Supervisor Real Property Records, Assessor .....	....	225-275	....	.....
B 101	Supervisor Personal Property Records, Assessor .....	....	225-275	....	.....
B 105	Asst. Cashier, Tax Collector's Office.....	....	245-275	....	.....
B 155	Confidential Secretary—Dist. Attorney....	....	200-250	....	.....
B 181	Law Clerk, Registrar's Office.....	....	250-300	....	.....

Class No.	CLASS TITLE	Total Number of Employees	Proposed Rate	INCREASES	
				Number	Amount Per Year
B 416	Asst. to Executive Staff, Mayor's Office.....	....	200-250	....	.....
B 419	Asst. to Secretary, Civil Service Com- mission .....	....	200-250	....	.....
C 109	Stage Hand .....	....	7.00-750d	....	.....
E 155	Cable Splicer's Helper.....	....	8.00d	....	.....
F 50	Maintenance Chief, Airport.....	....	200-250	....	.....
F 53½	Jr. Control Tower Operator, Airport.....	....	175-200	....	.....
F 527	Supt. Sewage Treatment Plant.....	....	350-400	....	.....
G 153	Adjuster, Tax Collector.....	....	200-250	....	.....
G 154	Senior Inspector of Licenses.....	....	250-300	....	.....
J 156	Switch Repairer .....	....	.81¼ hr.	....	.....
L 115	Asst. Supt. and Technician, Sewage Treatment Plant .....	....	300-350	....	.....
M 8	General Supt. of Shops.....	....	400-475	....	.....
M107	Blacksmith Finisher .....	....	8.80d	....	.....
N 63	Chief Abbatoir Inspector.....	....	250-300	....	.....
O 19	Sub-Station Foreman .....	....	9.15d	....	.....
O 172	Chief Engr., Stationary Steam Engines, War Memorial .....	....	275-325	....	.....
P 3	Senior Emergency Hospital Steward.....	....	225-275	....	.....
P 57	Asst. to Director of Field Nursing.....	....	200-225	....	.....
P 60	Supervising Nurse—Bureau of Com- municable Diseases .....	....	180-200	....	.....
R 58	Director at Large, Recreation Dept.....	....	185-225	....	.....

Estimated gross annual increase from above changes, and
from changes in number of employments in various classi-
fications, as listed in the current, 1938-1939, annual salary
ordinance

\$84,724

SUMMARY

Increased Pay Roll Costs Under Salary Standardization Schedules

Division		No. of Employees	No.	Increases		Total Increases, Each Class
				Amount		
A	Building Trades.....	235	187	\$ 66,768		\$ 66,768
B	Clerical	{ 1092	835	284,082 }		300,846
		{ 17p	17p	16,764p }		
C	Custodial	{ 555	159	29,382 }		34,386
		{ 5p	5p	5,004p }		
D	Detention	93	59	12,888		12,888
E	Electrical Trades.....	100	96	42,243		42,243
F	Engineering	251	203	128,030		128,030
G	Examining and Evaluation..	34	18	12,520		12,520
I	Institutional	{ 647	633	195,314 }		201,194
		{ 6p	6p	5,880p }		
J	Labor	501	413	59,561		59,561
K	Legal	{ 34	30	39,540 }		44,340
		{ 3p	3p	4,800p }		
L	Medical and Scientific.....	{ 168	122	58,866 }		166,566
		{ 84p	67p	107,700p }		

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THE CITY, MAY 5, 1939

M	Metal Trades.....	134	59	19,475	19,475
N	Miscellaneous Inspection.....	103	69	28,884	28,884
O	Miscellaneous Trades.....	371	232	55,027	55,027
P	Nursing	395	370	111,360	111,360
R	Recreation	{ 66	63	21,693 }	43,005
S	Street Railway	{ 17p	17p	21,312p }	14,620
T	Welfare	938	29	14,620	58,404
U	Water	148	145	58,404	18,850 }
V	Agriculture	{ 92	76	18,850 }	20,350
		{ 1p	1p	1,500p }	600
		3	1	600	600
		5,960	3,798	\$1,258,107	\$1,421,067
		133p	116p	162,960p	
		6,093	3,914	\$1,421,067	

Increase due to classification changes, listed above, and changes
in number of positions as enumerated in the 1938-1939 annual
salary ordinances

84,724

Estimated Gross Annual Increase.....

\$1,505,791

Less 10% reduction to reflect "turnover".....

150,579

Estimated Net Annual Increase.....

\$1,355,212

p—Part Time.

The City

*A Publication Devoted to the Promotion and Application of Scientific
Principles of Government*

Vol. XIX

MAY 8, 1939

No. 2

\$55,000,000 Revenue Bonds— Charter Amendment

Proposition No. 2—

Special Election, May 19, 1939

Issued by the

San Francisco Bureau of Governmental Research

58 Sutter Street, San Francisco, California

*"An incorporated non-partisan citizens' agency to study public business, cooperate
with officials and specifically work for economy and efficiency in municipal affairs."*

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Proposition No. 2**\$55,000,000 REVENUE BONDS (CHARTER AMENDMENT)****SUMMARY**

1. Proposition No. 2 on the ballot at the May 19th special election is a proposed Charter amendment which, if adopted, would authorize the issuance and sale of revenue bonds, up to a maximum of \$55,000,000, for the acquisition of the, or the construction of a, local power distribution system. The Charter amendment, requiring a majority vote only, is a device to get around the requirement of a two-thirds vote on bond issues, which has been a safeguard established by the City Charter and the State Constitution for decades.

2. The proposed amendment fails to specify any plan, thus leaving it to the Public Utilities Commission and the Board of Supervisors to decide whether the City shall attempt to buy the local system, attempt to build a competitive system, or attempt to condemn and buy a part of the existing distribution system for partial distribution under City auspices.

3. The Public Utilities Commission's Plan No. 8, referred to in discussions of the amendment but not mentioned therein, which is now claimed by officials to be the most logical plan, calls for the purchase of the local distribution system, excluding steam standby plants, stepdown stations and transmission lines. It is proposed to secure the service of these excluded facilities from the Company by annual payments, the only estimates of the amounts to be paid therefor being submitted by the City.

4. The expenditure of \$55,000,000 (assuming the properties could be purchased for that amount) will give the City only an incomplete system without essential steam standby plants and other facilities mentioned in the foregoing as excluded under the purchase plan. The City would then have available in its Hetch Hetchy plants only 40 per cent of the necessary generating capacity that is required to meet San Francisco's demands. In order to complete the system, the initial investment would have to be increased considerably, and, possibly, doubled.

5. The official figures on Plan No. 8 not only are based on a favorable set of conditions for the City in all operating expense estimates, which may not result in actual operations, but such estimates have omitted any deduction from revenue for standby services for which the City, under existing rate schedules, would have to pay over \$1,000,000 annually.

6. The profits as estimated under Plan No. 8 would amount to \$3,519,000 in the initial year, based on 4 per cent interest on a \$55,000,000 bond issue.

This is \$1,160,000 less than the officially-estimated profit under a similar plan, known as Plan No. 7, which was voted down by the people in March, 1937. If Bureau estimates of costs of operation—higher than those officially estimated—prove to be correct, the officially-estimated profit would be converted into a taxpayers' loss of \$397,000.

7. Although the proposed amendment authorizes construction of a complete or partial system, duplicating existing company facilities, no plans or estimates have been submitted to show the effect of such action.

8. The cost of acquiring the local distribution system has been estimated in the official report on Plan No. 8 as \$40,500,000. The purchase price is a matter for negotiation between the City and the Company, or valuation of the properties by the Railroad Commission under condemnation proceedings. It cannot safely be assumed that the properties proposed for purchase in Plan No. 8 can be secured for a price that will come within the amount of the bond issue.

9. In recent decisions of the Railroad Commission in valuation cases, involving Fresno and Redwood City properties, the allowances for severance damages and other intangibles have increased the valuation fixed for physical properties from an amount equal to 34.9 per cent of the value set up for the physical value of the San Francisco system in 1929, up to 90 per cent of such physical valuation, in the recent decision in the Fresno case. As the official estimate—purchase price of the properties under Plan No. 8—is based on the 1929 valuation thereof, and also has largely excluded intangibles, as well as certain properties which the City does not intend to acquire, the ultimate cost may exceed the official estimate by many millions.

10. Unless the local power distribution system under City management can be made to show a large annual profit, rate increases, tax subsidies or future bond issues will be required to meet deficits, plus the cost of extensions and additions. As funds are continually necessary for extensions and improvements (\$24,850,000 between 1924 and 1931) hence, even though the system earned a profit, neither taxpayers nor ratepayers can expect to receive any monetary benefit from ownership of the system.

11. Future bond issues to extend or maintain the property, if purchased or constructed, must be general obligation bonds unless revenue bonds can be sold or issued on the *extensions* and *additions* themselves. This condition is established by the terms of the amendment, which prevents mortgaging or encumbering the system purchased with the revenue bonds authorized by the amendment.

Review of Factors Affecting the Power Proposal:

Proposition No. 2 on the May 19th ballot will, if approved by the voters, authorize the Public Utilities Commission to issue a maximum of \$55,000,000 in revenue bonds to buy or build a San Francisco system for distribution of Hetch Hetchy power. Ballot measures designed to put San Francisco into retail distribution of power have been defeated by the voters seven times in the past twelve years.

On November 8, 1927, the voters defeated a \$2,000,000 bond issue for the construction of a transmission line from Newark to San Francisco. The following year on November 6, 1928 the voters defeated the first of the revenue bond proposals. At a special election on August 26, 1930, bond issues totalling \$68,115,000 for the purchase and integration of the local power-distribution systems were defeated. A Charter amendment, providing for the issuance of a maximum of \$5,000,000 in revenue bonds for the Water Department was defeated on November 8, 1932. The following year on November 7, 1933, the voters turned down a bond issue proposal to construct Red Mountain Bar power house and a partial distribution system. A revenue bond measure for power distribution was defeated at a special election on May 2, 1935. On March 9, 1937, a \$50,000,000 revenue bond proposition similar to the present ballot measure (Proposition No. 2) was defeated.

From August 16, 1925, when the Hetch Hetchy power plant at Mocassin Creek began operation, to June 30, 1938, the City has received \$28,985,366 in revenue from Hetch Hetchy power. After deducting all expenses, including depreciation, the City had a net revenue of \$23,374,532 which was used for the payment of Hetch Hetchy bond interest and redemption charges. This has represented an average yearly revenue of \$1,816,200. During the year 1937-38 the revenue available for debt charges amounted to \$1,960,961 and represented about a 24c reduction in the tax rate.

City's Rights to be Determined by the Courts:

On April 2, 1937 the Secretary of the Interior requested the Attorney General to commence suit for the purpose of enforcing the Secretary's interpretation of Section 6 of the Raker Act. The Secretary claimed that the City, in its agency disposal agreement with the Pacific Gas & Electric Company had violated the terms of that section reading as follows: "That the grantee is prohibited from ever selling or letting to any corporation or individual, except a municipality or a municipal water district or irrigation district, the right to sell or sublet the water or the electric energy sold or given to it or him by the said grantee." The Government has not claimed damages nor shown that it has been injured or has sustained damages. The rights of the City in Hetch Hetchy are not in jeopardy, the sole demand of the Government being cancellation of the agency contract.

On April 11, 1938 the Government received a decision in its favor from the lower court. An injunction was issued on June 28th, to become effective on December 28, 1938, to restrain the City from disposing of its power under the existing agency contract. The effective date of the court order enjoining the City has been postponed from time to time, and the City has filed an appeal in the U. S. Circuit Court of Appeals. Regardless of which side wins on appeal, it is probable that the matter will be taken to the Supreme Court. Thus it cannot be contended that the revenue bond measure, even if sound, is a matter of current necessity.

The necessity for spending \$55,000,000 or more for a city-owned power distribution system has not been demonstrated at any time in the past twelve years. Such necessity cannot be demonstrated at this time, especially when consideration is given to a number of important phases of the City's development that require public funds. For example, the solution of the City's traffic and transit problems will require the expenditure of millions of dollars. Such proposed solutions as have been presented to the voters have involved large sums. In addition, there is the probable necessity of reconstructing many of San Francisco's older sewers and building sewage treatment plants to avoid contamination of the bay and beaches. It has been estimated by the City Engineer that possibly \$14,000,000 is required to correct these conditions. Other major projects designed to facilitate the movement of traffic, involving street openings and the so-called Limited Way System, as suggested by Dr. Miller McClintock, together with tunnels, boulevards, and other proposed projects total in excess of \$104,000,000.

Plans Requiring Lesser Investment Rejected by Secretary of Interior:

Early in 1936, the City submitted plans to the Secretary of the Interior for the distribution of Hetch Hetchy power, which called for an investment of approximately \$18,000,000. This action was taken as the result of a written opinion handed down by the Secretary in 1935 to the effect that the Hetch Hetchy agency contract was illegal under the terms of Section 6 of the Raker Act. The City submitted two plans, designated as No. 4 and No. 4a, in an attempt to provide a method of disposal that would comply with the Secretary's wishes in the matter, and at the same time involve the least amount of new capital investment by the City.

The Secretary, in an opinion dated April 22nd, rejected both of these plans and suggested modifications and additions to the proposals that would have increased the capital cost to \$47,000,000. The Manager of Utilities stated in his report on the revised plan that, "It is possibly one of the most costly ways of compliance with the Act." The outcome of the Secretary's refusal to accept the City's original proposals, involving a relatively small capital investment on the part of the City, was the development of Plan No. 7 and the sub-

mission of a \$50,000,000 revenue bond measure to the voters in March, 1937. Despite rejection of this by the voters, the Supervisors have resubmitted substantially the same measure, with the amount increased to \$55,000,000.

The Proposed Charter Amendment:

Proposition No. 2 would authorize the Public Utilities Commission to issue revenue bonds for the acquisition or construction of a system for the distribution of electric power in San Francisco and adjacent territory. The amendment provides for the issuance by the Public Utilities Commission of a maximum of \$55,000,000 in revenue bonds. These bonds may be redeemed over a 40-year period, with redemption to start in not more than five years after issuance. Redemption of bonds may be handled in any way deemed desirable by the Commission. The amendment also authorizes the Commission to provide for refunding, extension or renewal of any outstanding bonds, and such refunding bonds may be issued with 40-year maturities.

The amendment does not specify nor mention Plan No. 8 nor confine the Commission to a specific plan of any kind. The amendment is ambiguous on this point, as it refers to "said plan" several times but fails to define the plan or even to include it by reference. The Public Utilities Commission is granted full authority, with the approval of the Board of Supervisors, "to deviate from said plan to such extent as may be deemed necessary." Even if a plan had been specified, it would have been meaningless in the light of this provision.

Another and more important ambiguity occurs in the opening sentence of the amendment, which defines the purposes of the measure and the methods by which they shall be accomplished. The section reads: "Section 121.1—The Public Utilities Commission shall, for the purpose of meeting the cost of acquisition, construction . . . , (of a distribution system) and to borrow money by the issuance of revenue bonds . . ." The provision, as written, seems to have no meaning whatsoever, and may have the effect of nullifying the amendment, should this be approved by the voters.

The revenue bonds under the terms of the proposed amendment, may be issued for the payment of "the cost of all legal proceedings" incidental to the acquisition of a distribution system as well as the interest on the bonds "which may be outstanding during the period of said acquisition and for a period of six months after commencement of the operation of the system . . ." Apparently the intent of this is to authorize the Commission to issue revenue bonds for the payment of the costs of valuation proceedings. Such proceedings usually take several years and, for a utility of the size under consideration here, require the expenditure of hundreds of thousands of dollars. Unless the City should successfully conclude the purchase at the conclusion of such proceedings, no revenue would be available to pay interest charges and redeem the bonds.

When the City, in 1924 initiated proceedings to purchase the properties of the Pacific Gas & Electric Company, the valuation proceedings took five years and cost \$395,000. As the voters rejected the \$68,115,000 purchase bond proposal, the matter went no further. The Company had objected to the Railroad Commission's valuation, and had the bond issue been voted, the matter of valuation probably would have gone into litigation.

Protection for the revenue bondholder is provided in the amendment against the issuance of further liens or obligations on the property acquired by the issuance of the revenue bonds authorized in this measure. Under the terms of this section, any large-scale financing in the future would have to be provided by general obligation bonds. From the standpoint of the bondholder, this may be a desirable provision, but it is not in the best interests of either the taxpayer or the ratepayer. The measure explicitly states that nothing in the amendment shall control or revoke the power of the electors to vote general obligation bonds for the acquisition, construction, completion or extension of the system.

The amendment not only fails to commit the Utilities Commission to any given plan, but authorizes the construction of a duplicating and competitive system if the Commission so decides, and the Board of Supervisors approves. Authority to enter into wasteful and duplicating construction and operation should not be granted under any circumstances, and certainly not without plans, estimates of probable cost, and estimates of probable operating results.

A Summary of Plan No. 8:

On September 6, 1938, the Manager of Utilities, in response to a Supervisors' resolution of May 2, 1938 submitted a report outlining a plan, designated as Plan No. 8, for the retail distribution of Hetch Hetchy power. The Manager of Utilities stated in his letter of transmittal to the Public Utilities Commission that there is no feasible alternative to this plan. Plan No. 8 was submitted by the Public Utilities Commission to the Supervisors under date of September 7th.

As previously stated, the proposed Charter amendment on the ballot does not commit the Public Utilities Commission to this or any other plan. The plan, therefore, is to be considered merely as a possible course to be followed.

Plan No. 8 contemplates the purchase of the San Francisco distribution system of the Pacific Gas & Electric Company, including the property of a subsidiary, the Sierra and San Francisco Power Company, recently absorbed by the Company. The latter property, serving the Market Street Railway almost exclusively, was omitted from the properties to be purchased under Plan No. 7, submitted to the voters in March, 1937. Plan No. 8 does not contemplate the purchase of steam standby plants, stepdown station or trans-

mission lines from Newark to San Francisco. The purchase price is estimated as \$40,500,000.

The plan also provides for the construction of a power house at Red Mountain Bar at an estimated cost of \$1,125,000. This will add 17,000 kilowatts to the City's Hetch Hetchy power supply. In addition, provision is made for offices, shops, warehouses and purchase of equipment, \$2,000,000; purchase of materials and supplies, \$175,000; and working capital, \$700,000. The total investment is estimated to amount to \$44,500,000.

If Plan No. 8 could be carried to completion in all details, the City would be able to deliver 84,000 kilowatts from the Hetch Hetchy plants. The San Francisco peak load for the year 1937 was 210,500 kilowatts; therefore, the total installed Hetch Hetchy capacity would represent only 40 per cent of the 1937 "peak" demand. Under the plan, the City would have to purchase 126,500 kilowatts to meet the City's peak power demand and 330,000,000 kilowatt hours of energy, based on 1937 requirements. As the City's power demands are increasing each year, the capacity of the City-owned Hetch Hetchy plants will represent an increasingly smaller proportion of the total San Francisco power requirements.

Question as to Purchase Price:

The valuation of \$40,500,000 placed on the privately-owned power distribution properties in Plan No. 8 can be compared with a valuation of \$63,545,000 for the entire property as of June 30, 1931. The Railroad Commission on February 11, 1924, fixed the value of the properties, including severance damages, which valuation was brought up to September 30, 1929 by the Commission. The late City Engineer, Mr. M. M. O'Shaughnessy, estimated the value of the system as of June 30, 1931 as given above. The purchase price under Plan No. 8 excludes property and severance damages that were valued at \$21,850,000 in 1931, and includes \$800,000 for the purchase of the Sierra and San Francisco system.

The report on Plan No. 8 indicates that City officials anticipate a much higher price than \$40,500,000 will be set by the California Railroad Commission and that the City probably cannot avoid heavy payments of severance damages and other intangibles. Plan No. 8 report concludes that "an additional margin of \$5,000,000 over the \$50,000,000" proposed in the revenue bond issue to finance Plan No. 7 would be sufficient to cover any just compensation which might be fixed.

The Railroad Commission, in two recent decisions in valuation cases involving the cities of Fresno and Redwood City, set up more liberal allowances for intangibles and severance damages than those made by the 1929 Railroad Commission in the San Francisco case. In 1929 the Commission

allowed for intangibles and severance damages an amount equal to 34.9 per cent of the value found for the local distribution property. The Railroad Commission stated, in the Redwood City and Fresno cases, that in valuing the property and rights to be condemned, it endeavored fairly to reflect the earning power of the business attached and the damage resulting to the property remaining to the Company by the severance of a portion of the property from the system. In the Fresno decision the Railroad Commission included an amount equal to 90 per cent of the physical value of the distribution properties for severance damages and other intangible values and in the Redwood City decision, a 65 per cent allowance was made.

When these principles and ratios are applied to the value of the Company's properties that is used in the Plan No. 8 report—to which valuation the Company has not agreed—it appears extremely doubtful that the City can acquire the Company's properties for anything like \$51,000,000 (\$4,000,000 out of the \$55,000,000 has been allocated for such items as offices, shops, construction of Red Mountain Bar power house, etc.), especially as the City could not expect a decision for several years. Additions and betterments can be expected to increase the value as time goes on and the City grows. From 1924 to 1931, a period of seven years, the net increase—excess of additions over depreciation—amounted to \$24,850,000.

In the event an attempt is made to take a smaller portion of the Company's property in order to fit the project within the maximum bond funds available, the value of severance damages will be likely to increase proportionately. The City Attorney so advised the Supervisors' Public Utilities Committee—that if the City did not take all of the property, severance damages would increase.

Estimated Revenue Under Plan No. 8:

The official report on Plan No. 8 uses the actual San Francisco revenue of the Pacific Gas & Electric Company for the year 1937—\$15,824,000, from the sale of 739,738,000 kilowatt-hours, average price 2.14 cents per kilowatt-hour. In 1938 the revenue received by the Company was approximately \$55,000 less than in 1937, but it is probable that this reduction will not be permanent.

Plan No. 8, in providing for no reduction in rates, is substantially different in this respect from Plan No. 7 (voted down in 1937) which promised a 10 per cent rate reduction. Rates have been lowered by the Company to the point where such differentials as the lower cost of money and relief from taxes under public ownership, offset by higher operating costs, are not sufficient in amount to make possible an actual reduction in rates.

Operating Expenses Under Plan No. 8:

The Plan No. 8 report estimates the total annual cost of operation as \$7,205,000, which includes \$1,290,000 for depreciation. The official estimates of operating results of Plan No. 8 for the initial year are shown on the opposite page, together with comparative estimates compiled by the Bureau. The Bureau's estimate of annual operating costs amount to \$9,080,000, and this is considered to be a minimum figure. Bureau estimates, as shown in the table, differ from official estimates on only four items but other items are open to question as being too optimistic.

The first variation involves an increase of \$36,000 in operating costs of existing Hetch Hetchy plants. The Bureau's estimate is based on an average of actual results since the plants started operation in 1925.

Charges for Standby Service:

The second variation, as shown by the Bureau's estimate, adds a charge not shown in the official estimates. This is an addition of \$1,008,000 for standby service for the 84,000 kilowatts of Hetch Hetchy power. Under Plan No. 8, the City does not contemplate the purchase of steam standby plants now operated by the Company and therefore must arrange with the Company for this service. The official report contends that it can secure standby service in conjunction with the 126,500 kilowatts of purchased power under the Company's schedule known as "P-6." This, however, does not appear to be the case. During hearings before the Supervisors on Plan No. 7 in 1936, the Chief Engineer of the State Railroad Commission informed the Board of Supervisors that the cost of standby service would be governed by existing rates and that such service would amount to about \$1.00 per kilowatt per month. Any reduction in this rate would be a matter for negotiation between the City and the Company, and as such negotiations have not been held, existing rates and conditions are used by the Bureau in estimating results.

Adequate Depreciation Charges:

The third variation is in the allowance for depreciation, which has been set in the official estimate at three per cent on a \$43,000,000 valuation, or a charge of \$1,290,000 annually. The report states that under existing Charter provisions (amended in 1937) the Public Utilities Commission is not required to set aside a fixed sum for depreciation. The Charter requirement provides that sufficient funds be provided out of revenue to make necessary replacements. The report concludes that consideration has been given to the fact that 4 per cent of the capital investment is expected to be retired each year (re-

**Estimated Financial Results of Proposed Plan No. 8 for Retail Distribution
of Hetch Hetchy Power Showing the Official Estimate
and Estimates Prepared by the Bureau**

	Initial Year Plan No. 8 Estimates from Official Reports	Initial Year Plan No. 8 Bureau Estimates
Estimated Revenue.....	\$15,824,000	\$15,824,000
Annual Operating Expense:		
Production:		
Purchased Power	3,000,000	3,000,000
Hetch Hetchy Plants.....	400,000	436,000
Red Mountain Bar Power House.....	15,000	15,000
Lease, Transm. and Stepdown Sta.....	300,000	300,000
Standby Charge		1,008,000
Distribution and Commercial.....	1,400,000	1,400,000
New Business	200,000	200,000
General and Miscellaneous.....	600,000	600,000
Depreciation	1,290,000	2,021,000
Total Operating Expense.....	7,205,000	9,080,000
Bond Interest and Redemption:		
Interest at 4%.....	2,200,000	2,200,000
Redemption, 1/25th each year.....	2,200,000	2,200,000
Total Debt Charges.....	4,400,000	4,400,000
Raker Act "Fair Proportion" Charges.....		1,175,000
Total Estimated Expenditures.....	11,605,000	14,655,000
Estimated Surplus	4,219,000	1,169,000

Losses to Taxpayers:

Loss of Taxes Paid by Company.....	— 700,000	— 700,000
Loss of Revenue on Termination of 1925 Agency Contract (\$2,041,000 Less \$1,175,000 shown as "Raker Act Charges")		— 866,000
Total Loss to Taxpayers.....	— 700,000	— 1,566,000
Total Gain or Loss.....	3,519,000	— 397,000

demption of bonds). This factor should have no influence on the establishment of adequate depreciation reserves, as bonds redeemed and cancelled cannot be used to provide funds for replacing obsolete or worn-out plant or equipment.

Bureau estimates indicate that there should be an annual allowance for depreciation amounting to \$2,021,000, based on the \$43,000,000 valuation used in the official report. The Bureau's estimate of depreciation requirements is based on an average annual rate derived from an analysis of five systems—Seattle Municipal, Los Angeles Municipal, San Diego Consolidated Gas & Electric, Pacific Gas & Electric and Southern California Edison.

Although it is legally possible under the Charter, as amended, to set aside only sufficient money to meet depreciation as actual replacements are required, this does not make it good practice. Unless the management of each of the systems mentioned in the foregoing is at fault, the rate of depreciation established by Plan No. 8 is too low. None of these systems has a rate for depreciation as low as the 3 per cent used in the official estimates. With an inadequate depreciation reserve, the City, should it acquire the Company's properties, will eventually be faced with the necessity of making replacements that will be too large to be met from the utilities' revenues and reserves. With inadequate provision for depreciation, the financial results of operation may be made to appear to better advantage in the early years, but the ratepayers or taxpayers in future years will be faced with the necessity of providing additional funds.

Other Operating Expenses:

Other operating expenses include estimates of the cost of distribution and related items. The official report on Plan No. 8 estimates these items at \$2,200,000, based, it is stated, on the Company's costs for the San Francisco division for 1937. Costs of collection of gas and electric accounts are handled together by the Pacific Gas & Electric Company. Under Plan No. 8 it is proposed to handle water and electric accounts jointly. The report claims that this will result in costs of collection being comparable. The statement is also made that the Company salaries and wages are nearly equal to the City's scale, so that little was added for this factor.

The Bureau's estimates make no change in these amounts, although examination of similar expenses for other municipal systems raises some question as to whether they are adequate. These costs, compared on a unit basis with the Seattle and Los Angeles municipal systems, are less than either of these two municipal systems. It is true that no two systems nor the territory served are exactly alike. Total distribution costs for the Seattle and the Los Angeles

municipal systems for 1937, compared to estimates for similar costs under Plan No. 8, show that the cost per 1000 kilowatt-hour sold was \$5.60 in Los Angeles and \$3.51 in Seattle compared with \$2.97 under Plan No. 8.

"Fair Proportion" Charges Required by the Raker Act:

The official estimates show no deduction from revenue to cover a charge required by specific language of Section 9m of the Raker Act. This provides that rates to be charged by the City shall be not less than "the actual total costs of providing and supplying said power . . . including a fair proportion of costs of conduits, lands, dams and water-supply systems." The Controller's annual report for 1935-36 allocates \$26,108,000 of the original investment to the power development of the Hetch Hetchy project; "fair proportion" charges, based on a capitalization of this amount at 4.5 per cent, would amount to \$1,175,000. This sum would have to be provided for out of power rates and would be shown as a charge against revenue from the sale of energy. This sum, paid into the General Fund or used to pay Hetch Hetchy debt charges, would represent a benefit to taxpayers, as a partial offset to the loss of \$2,041,000 revenue received annually under the terms of the existing agency contract.

Losses to Taxpayers:

Plan No. 8 includes, as an offset against power revenue, a deduction of \$700,000 for loss of taxes the City would suffer if the property should be taken over by the City. The report does not, however, reflect the taxpayers' loss of revenue, now received under the existing agency contract with the Company. The revenue the City has received to June 30, 1938, since this agreement was entered into on August 16, 1925 amounted to \$28,985,366. The average annual net revenue, after deducting Hetch Hetchy production and transmission costs, amounts to \$1,816,000. To this may be added the additional power revenue to be derived from the added storage capacity of the Hetch Hetchy reservoir provided by the 1933-\$3,500,000 bond issue for raising the height of O'Shaughnessy Dam. The Manager of Utilities in 1933 estimated the average yearly increase would amount to \$225,000.

Loss of this revenue would increase taxes about 25 cents per \$100 of assessed valuation. Assuming that the \$1,175,000 deducted for Raker Act "fair proportion charges" might be considered a partial offset, being applicable to Hetch Hetchy debt charges, \$886,000 has been deducted for the loss of revenue which the City now receives from the disposal of Hetch Hetchy power.

Conclusion:

To summarize briefly, the results of the Bureau's analysis of and estimates for Plan No. 8, briefly outlined in the foregoing, indicate a net loss to the taxpayers of \$397,000 in the initial year on the investment of \$55,000,000. The net loss estimated by the Bureau is considered as a minimum figure. If the favorable conditions used in the estimates in Plan No. 8 failed to materialize, as is possible, the loss will be larger.

The City

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November 7th Ballot Measures

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PROPOSITION No. 1

RETIREMENT WARRANTS (Initiative Constitutional Amendment)

(Inasmuch as the social, business and economic phases and effects of Proposition No. 1 (30-Thursdays) have been extensively analyzed and publicized by many other organizations, this analysis is confined to the governmental phases and effects of the measure.)

This initiative amendment, which would add Article 32 (46 sections) to the State Constitution, primarily is a re-submission to the voters of the "Ham and Eggs" amendment which was defeated (1,398,999 "no"—1,143,670 "yes") at the November, 1938 election. There are, however, additional provisions in the present proposal which render it far more dangerous than the 1938 scheme. The most important of these are (1) the imposition of a 3% gross income (transactions) tax, and (2) the creation of a Credit Clearings Bank, to be dominated by the Administrator of the Retirement Warrants Act, which bank shall be the *sole depository* of the State of California and all political subdivisions (Section 26).

This latter provision, together with Section 28 which provides "... said (Credit Clearings) Bank is hereby authorized to carry ... balances in other banks, either in or outside the State of California ..." and with the bank subject to no regulation whatsoever, affords a dangerously-easy means for looting the lawful money resources of the State.

Provisions of the Amendment

The amendment provides that every qualified elector of the State, 50 years of age or over, who is not employed and who does not employ anyone in the production of goods and services for hire or for sale, shall be entitled to receive thirty \$1.00 retirement "warrants" each Thursday for life, which the recipient is to use as money in the acquisition of "all available or producible goods, services, conveniences and comforts of daily life" (Section 2).

The amount of "warrants" issued to each person may be increased (but not decreased below 30 every Thursday) by the Administrator, in proportion as the average price level of consumer goods increases over the average price level for the year 1937.

These so-called "warrants" (they are not backed by the credit of the State and do not represent, in any respect, a claim upon the State) are described as non-collateral, non-interest bearing, self-liquidating, negotiable

and transferable without endorsement. They are to be made self-liquidating by the affixation of two-cent stamps to the back of each "warrant"—one stamp each Thursday for 52 weeks—such stamps to be purchased from the Administrator with lawful money of the United States. Each fully-stamped "warrant" will be redeemed by the Administrator by the payment of \$1.00 lawful money of the United States, not earlier than 53 weeks and not later than 57 weeks from the date of issue. First recipients of these "warrants"—those receiving retirement life payments—are not required to purchase or affix redemption stamps if they rid themselves of the "warrants" within one week from receipt, but every Thursday thereafter a stamp must be affixed to each "warrant" by the holder thereof in order to keep the "warrant" current. (The additional four cents paid for stamps on each "warrant" is to be used to pay such administration expenses as can not be paid by "warrants.")

Taxes Payable in "Warrants"

These "warrants" must be accepted *at face value* (whether fully stamped, partially stamped or not stamped at all, provided they are "current") by the State, and the cities, counties, districts and all other subdivisions thereof, in payment of all taxes, licenses, fees, royalties, rents, services, and any and all other debts or obligations of every kind and character that are payable to the State or any of its political subdivisions. Purchasing agents (or any other officials charged with the buying of supplies, equipment, or any other merchandise or service, or with making any contract for the purchase thereof for the State or any subdivision thereof) shall include in all purchases or contracts the option, on the part of their governmental units, to pay in "warrants" up to 50% of the total cost involved.

New Governmental Organizations Created

The amendment would set up four new governmental agencies: (1) A State Retirement Life Payment Administrator at \$10,000 per year, with a Chief Deputy at \$10,000 per year, three assistants at \$9,000 per year, a legal counsel at \$10,000 per year, and an extensive staff; (2) a Tax Commission of three members (to be appointed by the Governor from among six persons nominated by the S. R. L. P. Administrator) at \$10,000 per year each, and an extensive staff; (3) a Credit Clearings Bank, with necessary branches and staff, to be governed by a board of seven, five of whom shall be the Administrator, his Chief Deputy and his three assistants, and two county controllers, ex-officio, the Chief Deputy State Retirement Life Payment Ad-

ministrator to serve as President of such bank; and (4) a State Board of Economics of thirty-four members.

The Administrator of the amendment, who is to be appointed from a "list" of two persons named in the amendment, shall also, by the terms of the amendment, be chairman of the Board of Directors of the Credit Clearings Bank.

Powers of Administrator

The Administrator is vested with the power (1) to carry out, supervise and administer the spirit and intent of the Act; (2) to establish such branch offices (head office, Sacramento) as he may deem expedient; (3) to issue the retirement "warrants" and redemption stamps; (4) to increase the 30-warrant-weekly base to offset any rise of living prices over the costs for 1937; (5) to designate the three members of a Tax Commission created by the Act (the three to be appointed by the Governor from a list of six nominated by the Administrator); (6) by majority membership on the Board of Directors (five of the seven members being the Administrator and his assistants) to control the operations of the Credit Clearings Bank; (7) to issue, and offer for sale to the public, \$20,000,000 of State bonds (such bond issue being authorized by provisions of the amendment), the proceeds to provide for the operation of the Credit Clearings Bank; (8) to issue and accept subscriptions for the capital stock of the Credit Clearings Bank; (9) to appoint (exclusive of civil service) and fix the compensation and duties of such assistants, branch office managers, clerks and deputies as he may deem necessary; (10) to expend \$700,000 from the State's General Fund (appropriated by the provisions of the amendment) for the initial expenses and costs of the administration (to be repaid to the General Fund); (11) to call a statewide special election at any time, for vote upon amendments to the amendment that may be proposed by the Administrator; and (12) to pursue the foregoing activities free from injunctions, writs of mandate or other legal or equitable processes, which, under Section 37, shall never issue "to interfere with the administration of this article (of the Constitution) or to prevent or enjoin any provision of this article from going into effect."

The Credit Clearings Bank

Definition of the Credit Clearings Bank, its function, powers and modus operandi occupy 15 sections of the Act and present a bewildering maze to the inquiring mind. Volumes could be devoted to complete analysis of this

part of the amendment alone. A number of the prerequisites to the bank's successful operation are predicated upon voluntary acts by the public—such as the purchase of capital stock of the bank, the purchase of bonds for initial capital of the bank, and the deposit of lawful money by individuals—and would remain inoperative in the absence of public acceptance of the bank.

No Safeguards on Public Funds Deposited

But the deposit in this bank of all public moneys in the State is **mandatory**, and therein lies great danger. There is no provision in the amendment for the return of such funds to the State or its political subdivisions should this part of the scheme—the bank—prove unworkable.

There is no provision in the amendment authorizing the withdrawal of such monies by the depositors—the State, and all cities, counties, districts, etc. Proponents of the measure state (“The Commonwealth,” October 3, 1939, page 51) “The new plan creates a State Credit Clearing(s) Bank, in which all public funds must be deposited, about \$600,000,000 annually. The Administrator can use these deposits to pay pensioners, instead of issuing new warrants . . .” Obviously, such confiscation of funds, without due process of law, cannot occur. However, it may be held that such withdrawals may be made only as provided by rule or regulation of the Administrator, regardless of charter or other provisions of existing law. This might seriously interfere with existing orderly processes of local government.

“Warrants” to Pay Administrative Costs

“Warrants” are to be issued, (1) to pay the cost of all branch offices (not less than one within 1000 feet of each private branch bank in the State) established by the Administrator, and to purchase equipment and supplies therefor; (2) to pay the salaries of the Administrator and of all officials and employees of the Retirement Life Payment Administration and the Credit Clearings Bank (the three members of the Tax Commission created by the Act are to be paid \$10,000 per year, but the Act does not specify that these salaries nor the salaries of their force shall be paid in warrants); (3) the costs of audits of the Credit Clearings Bank; (4) at the option of the Administrator, to purchase all or any part of the printed matter which may be required for the purposes of the Act, or to purchase or rent, install and operate such equipment as may be needed to do all or any part of such printing, lithographing and engraving in the Administration offices, and to purchase all necessary paper stock and supplies for such printing, etc.; and (5) the necessary expenses of 33 members of a new State Board of Economics, created by the Act, incurred in attendance at meetings of such Board.

Public Salaries "Frozen"

The amendment provides that all salaries and wages of public employees, in both State and local services, shall be adjusted quarterly to meet any upward variation in prices over the 1937 price level. It also provides that no public wages or salaries shall fall below rates existing as of the date of the adoption of the amendment.

Sales and Use Taxes Fixed in Constitution

The amendment fixes in the constitution the 1933 sales tax (which at that time included a tax on food, which has since been eliminated by amendment), and the 1933 Use Tax Law with the specific provision that they may not be amended or repealed except by *initiative* constitutional amendment.

3% Gross Transactions Tax Created

The amendment provides for 3% gross income (transactions) tax exclusive of the first \$3,000 of income, and provides that revenue from this tax shall be used, (1) to maintain the 1937 level of sales and use tax revenues payable to the State; (2) to repay the expense of inaugurating retirement life pensions administration; (3) to repay funds advanced by the State; (4) to repay advances (possibly the \$20,000,000 bond issue, although it is not specified) to or on account of the Credit Clearings Bank; (5) to repay counties for tax losses due to exemption from local taxation of owner-occupied homes up to \$3,000 of assessed valuation; (6) to pay interest and redemption on State bonds; (7) to pay interest and redemption on local bonds. (The amendment seeks to exempt from local taxation owner-occupied homes up to \$3,000 valuation, although it is questionable, due to the manner in which this provision is written, whether such exemption actually is made.)

Other provisions not directly affecting the State and local governments are omitted from this discussion.

Grant of Powers Contrary to American Principles

The creation of an all-powerful dictator, whose powers include control of all public funds in the State, and whose acts cannot be regulated either by the courts or the Legislature of the State, represents a complete departure from the form of government that we have known. The economic—and possibly social—chaos certain to follow the adoption of such a fantastic scheme would endanger our present democratic institutions.

All employees of the Administrator and of the Credit Clearings Bank

and Tax Commission are appointive by the Administrator and are not subject to civil service. This condition decidedly is against public interest, being conducive to the creation of a State-wide political machine of unlimited size. The number of employees, as well as every other detail of expenditure, is left to the discretion of the Administrator.

Interference with Home Rule, re Salaries, Budgets, etc.

The provision for upward adjustment of salaries of employees of the State and all political subdivisions thereof represents an invasion of "home rule" and an arbitrary and autocratic interference with all local governments. It takes no account of the budgetary procedure of local governments, nor of the fact that when their respective tax rates are fixed they have no means of raising funds to pay additional salary or other operating costs that may be forced on them during the year. This would force deficits on local governments.

The provision that no public wages or salaries shall fall below rates existing as of the date of the adoption of the amendment, if construed to affect cities governed by charters previously adopted, probably will establish a new method of fixing compensations in local governments, under which such compensations cannot be lowered below the present rates regardless of future economic conditions and may be raised only in the manner provided in the amendment.

New Tax, \$500,000,000 per Year

The imposition of gross income (transactions) tax of 3% would result in the ultimate consumer, including governments, paying from 10% to 15% more for materials and supplies than otherwise. This tax is *in addition* to the present sales and use taxes, which are incorporated in the amendment in perpetuity unless repealed by an *initiative* constitutional amendment.

It is estimated that this new tax would raise about \$500,000,000 per year. This is more than double the amount of all existing State taxes, combined, all of which would be continued.

Safety of Public Funds Jeopardized

As previously stated, the amendment makes no provision for the safeguarding of governmental funds which must be deposited in the Credit Clearings Bank. The amendment takes away from the local governments the protection against loss of such funds that is now provided by law.

For example, the San Francisco charter now provides that formal approval by a specified group of city officials is required before any bank may be used as a depository for city and county funds. The charter also requires that the depository bank furnish as security for such deposits "bonds of the United States or of this State, or of any county, municipality, or school district within this State approved by the Treasurer and the City Attorney. The market value of bonds furnished as security shall be at least 10% in excess of the deposits secured thereby. (These bonds are held by the Treasurer.) The market value of the securities shall be maintained in such proportion at all times, and the Treasurer is hereby charged with the responsibility of enforcing this requirement."

The Credit Clearings Bank is subject to no regulation whatsoever. Provision is made for periodic audits, the cost thereof to be paid by "warrants," but if the "warrants" do not circulate, obviously there will be no audits.

The amendment is completely silent as to the manner in which or the method by which public funds are to be safeguarded. If they were deposited in some foreign country—which is possible under the amendment—and, later, were "abstracted," the city to which they belonged apparently (under the amendment) would have no recourse.

Effect of the Amendment on Governments

It has been demonstrated mathematically that this amendment cannot work; that the gross volume of business throughout the State would have to increase five-fold to finance the scheme; that the amount of lawful money required for weekly stamp purchases during the first year is greater than the total amount of lawful money now in circulation in California; etc.

The banks have stated that they cannot receive or handle the warrants in any way. Various retailers, wholesalers' and contractors' associations, and other agencies of business and industry have taken the same position. It seems to be agreed by all, except the proponents, that the warrants would have little if any circulation in private transactions, and that their only possible use would be in the payment of State and local taxes, licenses, and other bills and charges made by governmental agencies.

If this is the case, they may circulate for a short time, at a heavy discount, for this sole purpose. Speculators could buy the warrants at some minor fraction of their face value, in the hope of making a profit by selling these below face value, to taxpayers, persons or corporations subject to State income taxes or State or local permit or license fees, persons subject to fines in our courts, users of municipal water and other utility services, and many

other persons or firms required to make payments to governmental agencies. These, buying the warrants at a discount, and using them at face value to make their governmental payments, would realize a saving on such payments, temporarily—until State and local government and publicly-owned utilities became insolvent.

Paralysis of Governmental Functions

A deluge of retirement warrants into the State and local treasuries could result in nothing less than complete paralysis of governmental functions. In a short time there would be no cash in either State or local treasuries.

Likewise, governmental purchases of supplies, equipment and services are required by the amendment to be paid up to 50 per cent in these warrants, the balance to be paid in cash. Vendors, contractors and others could not supply governments under this condition. If they did, cash would not long be available in governmental treasuries for payment of such balances.

With their treasuries filled with worthless warrants and no cash on hand, the State and its subdivisions would face a complete collapse of credit and a total stoppage of governmental functions. Interest and redemption charges on bonds now outstanding, a large part of which is payable in New York, could not be paid with warrants, and no market could be found for new issues. With all private enterprise refusing to accept the warrants, no supplies, equipment or services of any kind could be purchased. As a result, fire equipment, police cars and ambulances, garbage trucks and street cleaning equipment could not move. Hospitals and other local and State institutions could not function, nor could the State prisons. All municipally owned utilities would cease operating, and the schools would have to close.

Such an eventuality may seem too preposterous for serious consideration. It, however, is not only possible, but certain, under the amendment, should this be adopted.

Effect on San Francisco, as Example

To take San Francisco, as an example: Assume that of the 800,000 eligibles in the State, 10 per cent, or 80,000, would receive warrants here. Under the graduated schedule of distribution provided in the amendment during the first year, warrants with a face value of \$110,000,000 would be distributed to the local 80,000. The City's revenue from taxes and all other sources, exclusive of State subsidies and revenue from surplus, is slightly over \$49,000,000 for the current year.

If, as seems clear, there can be no circulation of the \$110,000,000 of warrants in private transactions here, and if their only possible use is an application to all or part of the City's \$49,000,000 collections, it seems obvious that they will be so used. As a result, the City and County of San Francisco, as a corporation, would be insolvent long before a single warrant would be eligible, under the amendment, for redemption in lawful money.

An example, showing the same results, could be developed for each political subdivision in the State.

Conclusion

It is obvious that the measure is not in the best interests of the people or their State and local governments. Should it be adopted, even though it should later be held to be unconstitutional, the credit of the State and its cities, counties and districts would be seriously affected for a long time into the future. Should it be adopted and held to be constitutional, it would wreck the State and local governments before it could be repealed.

PROPOSITION No. 2

CHIROPRACTORS (Initiative Measure)

This measure has been submitted to the people as the result of an initiative petition signed by the required number of registered voters.

It provides for minimum hours of instruction in subjects required of an applicant for a license to practice chiropractic. The existing law provides that a license "shall not authorize the practice of medicine, surgery, osteopathy, dentistry, or optometry, nor the use of any drug or medicine now or hereafter included in materia medica." This initiative measure eliminates the prohibitions just referred to and provides that a license to practice chiropractic shall authorize the holder "to diagnose and treat injuries, deformities or other physical or mental conditions of human beings without the use of drugs and without in any manner severing any of the tissues of the human body."

As this is a regulatory rather than a governmental measure and therefore not within this Bureau's field, its provisions and its probable effects are not analyzed in detail nor commented on here.

PROPOSITION No. 3**PROPOSITION No. 4****PERSONAL PROPERTY BROKERS (Referendum Measures)**

These two measures were passed by the 1939 Legislature and were held up by referendum petitions. They are practically identical, Proposition No. 3 being initiated in the Senate and known as the Shelley Act, and Proposition No. 4 being initiated in the House and known as the Wollenberg-Philips Act. The only difference, although of slight importance, is that the Shelley Act provides that fees derived from licenses shall be paid into a fund that is to be used for administration of the Act.

Each measure provides that personal property brokers, including those now operating under licenses as provided by law, shall be subject to the administration of the State Commissioner of Corporations as to applications, licensing, examination, revocation of licenses, etc. Each measure provides that for loans up to \$300, the charge shall not exceed $2\frac{1}{2}\%$ per month on unpaid balances of not more than \$100, and shall not exceed 2% on the remainder of such unpaid balances.

These being regulatory measures, and therefore not within this Bureau's field, their provisions and the effect thereof are not analyzed in detail nor commented on here.

PROPOSITION No. 5**OIL AND GAS CONTROL (Referendum Measure)**

This measure was passed by the 1939 Legislature and was held up by referendum petition. The Act creates an Oil Conservation Commission, composed of three State officers—the Director of Public Works, Director of Finance, and the Director of Natural Resources. The latter shall become the administrative officer of the Commission, with \$4,000 added compensation, and shall appoint and fix salaries of all employees of the Commission subject to the Civil Service laws of the State.

The Commission is given full power and authority in all matters relating to conservation of crude oil and natural gas resources in the State, with authority to limit or prorate crude oil and natural gas production. The Commission is empowered to make and enforce necessary rules, regulations and orders required to carry out the purposes of the Act. The Act prohibits waste in handling or production of oil or gas and defines what is meant by waste.

It prohibits crude oil production in excess of reasonable market demand as determined by the Commission, defining same to mean the amount necessary to meet current requirements for current consumption and use within or outside the State, together with amounts required to maintain reasonable storage reserves of crude oil or products thereof.

The Act also provides that allocation or proration of production among pools or fields, as well as among producers in each field, shall be on a reasonable basis. The Act defines oil produced in excess of allowable production as "illegal" oil, makes it illegal to handle or refine such oil, and provides for confiscation after due process of law, with penalties for violation. The Act provides for Court review of the Commission's acts. The cost of administration is to be paid by well operators and royalty owners, but the amount that may be budgeted is limited to \$500,000 annually.

As this is a regulatory measure, and therefore not within this Bureau's field, its provisions and its probable effects are not analyzed in detail nor commented on here.

PROPOSITION No. 6

(San Francisco Charter Amendment No. 1)

PERSONAL SERVICE ESTIMATES (\$106 Per Month Minimum Wage)

This proposed charter amendment "ordered submitted" by the Board of Supervisors at the request of the Institutional Workers' Union, would amend Section 71 to provide that, pending the adoption of salary standardization, rates of compensation shall be as recommended by the department head having appointing power for the positions affected but at the rates not to exceed those fixed for such service or position in the schedule of compensations issued by the Civil Service Commission under date of April 9, 1930, "provided that no rate shall be fixed at less than 50c per hour, or \$106 per month."

As stated, the amendment was presented by the spokesman for the institutional workers in the City's hospitals. There are 570 of these as listed in the 1939-40 annual salary ordinance. There are also about 100 other employees listed in such ordinance to which this amendment would apply.

The minimum rate required by this amendment, \$106 per month, would be in conflict with existing salary standardization provisions of the charter. These now provide that rates paid in the City's service for positions subject

to standardization, "shall be not higher than prevailing rates for like service and working conditions in private employment or in other comparable governmental organizations in this State." Because of the extensive violation of this provision in the salary standardization ordinance adopted by the Supervisors last February, the Citizens' Committee Against Charter Violation, succeeded in having such ordinance held up by a referendum petition and later succeeded in having the ordinance decisively voted down by the people at the May 19th special election.

Proposed Minimum Higher Than Outside Maximum

During the Supervisors' hearings on the proposed salary standardization ordinance in January and February of this year, groups opposing a large number of rates included in the ordinance were erroneously advised by the proponents of the ordinance that the rates provided therein for institutional workers—kitchen helpers, \$75 minimum, \$90 maximum, and orderlies and porters, \$90 minimum, \$115 maximum—were in accordance with the prevailing rates paid in private hospitals and other private employment in the City. (The same statement was made with regard to all per-diem rates included in the ordinance.) On the basis of this erroneous information, the Citizens Committee Against Charter Violation, which subsequently handled the campaign that led to the defeat of the ordinance, at that time raised no objection to these particular rates.

However, on the basis of information gathered by this Bureau late in September of this year from nine of the largest hospitals in the City, it is apparent, (1) that the rates now paid by the City to institutional workers are as high as "prevailing rates for like service and working conditions in private employment" in this City; (2) that the \$106 per month **minimum** rate provided in this charter amendment is **higher than the highest minimum rate** paid in any of these nine outside institutions; and (3) that this \$106 **minimum** is **higher than the maximum rates** paid for these services in eight of the nine hospitals referred to.

The amendment by its broad terms includes cooks' assistants, laundry workers and possibly others who are now paid rates that are fixed by union agreement. It would also affect the rates now paid to office assistants or office boys and other junior clerical or office employments.

This proposed amendment when considered in conjunction with the salary standardization provisions of the charter, assumes that \$106 per month is the prevailing minimum compensation paid in private employment in San Francisco. It is a matter of common knowledge that such is not the case.

\$137,000 Increased Cost

The amendment, if adopted, would immediately increase the City's payroll cost by about \$137,000 per year. When it is considered that City rates for the classes of service affected by the amendment commonly provide for a spread of from \$15 to \$25 per month between minimum and maximum rates, to provide increased pay for seniority of service; and when it is also considered that an increase in rates for these classes of service must necessarily affect the rates of pay fixed for other employees in the City's service, particularly in the City and County hospitals and other City institutions—the ultimate increase in the City's payroll during the next few years, if this amendment is adopted, will be much higher than the \$137,000 estimated as the initial cost of this amendment.

To summarize: The amendment, if adopted and incorporated in the charter, would be in conflict with existing charter provisions dealing with salary standardization. The institutional workers in whose behalf this amendment was introduced, are now being paid "prevailing rates" as established by the rates actually paid in the larger hospitals located in San Francisco. The amendment would require an increase in City payroll cost of \$137,000 per year immediately, and a larger sum when "seniority" increases, and increases in other rates to maintain existing ratios, are enacted.

PROPOSITION No. 7 **(Charter Amendment No. 2)**

QUALIFICATIONS AND TESTS (Veterans Preference)

This proposed amendment would revise those provisions of Section 145 of the charter that deal with veterans preference allowances in Civil Service examinations.

For years, veterans who attained the passing mark in a Civil Service examination, have then been allowed an additional 5% credit on entrance examinations, and 3% on promotional examinations, with the proviso that a veteran could use such preference only once. This has been interpreted to mean that a veteran could be allowed such preference on only one examination, although he might not secure an appointment from the resulting eligible list. The proposed amendment would authorize the application of the credit on any examination the veteran took until he benefited once by such credit; that is, until he secured an appointment.

The amendment is deemed necessary to clarify the charter language so that the plain intent of the Freeholders, in drafting Section 145, can be carried into effect.

PROPOSITION No. 8
(Charter Amendment No. 3)

EMPLOYMENTS (Selection of Municipal Bus Operators)

This proposed amendment would add to Section 125 of the charter the provision that conductors and motormen may be assigned to duty as bus operators, at the compensation fixed for such service, such assignment to be governed by seniority, subject to a qualifying test by the railroad management as to competency, and subject to the provisions of State law as to qualifications and licensing.

This is a clarifying amendment to establish by law the practice that has been followed for years by the Municipal Railway, with the approval of the Civil Service Commission, for the selection of operators of Municipal Railway buses. Inasmuch as bus operators receive 80c per hour as compared with the 75c per hour paid to motormen and conductors, this has been considered by the railway management as a desirable avenue of promotion.

The measure is favored by all who are affected by it—the Municipal Railway employees, the Manager of Utilities and the Civil Service Commission.

PROPOSITION No. 9
(Charter Amendment No. 4)

FIRE DEPARTMENT (Increased Rates for Fire Captains and Lieutenants)

This proposed amendment would increase salaries for Fire Department captains to \$250 per month (now \$235), and lieutenants to \$235 (now \$222.50).

Inasmuch as compensations for all members of the Fire and Police Departments, as well as elective officers and certain other officials in the City's service, are specified in the charter, any change in any of these rates can be made only by appropriate charter amendment.

Prior to introduction of the amendment before the Board of Supervisors, a committee of officers appeared before the Municipal Conference Committee (Building Owners and Managers Association, Down Town Association,

Chamber of Commerce, Junior Chamber of Commerce and Real Estate Board) and asked support at this time for their original proposal, which was included in a comprehensive amendment that was voted down at the November, 1938, election. Such original proposal involved rates of \$272 per month for captains and \$258 per month for lieutenants.

Increases in Accord with Standardization Principle

At the request of the Municipal Conference Committee, study was made by this Bureau of rates paid in other cities for these services. Such study indicated that the rates originally requested could not be supported on the basis of the salary standardization provision that rates in the San Francisco City service should be not higher than prevailing rates in private employment or in other comparable governmental jurisdictions. The study indicated, however, that rates of \$250 per month for captains and \$230 per month for lieutenants could be justified as a "high average" on the basis of data secured from other communities.

These rates were accepted by the officers, incorporated in the proposed amendment, and subsequently have been approved by the Municipal Conference Committee and the several organizations represented therein.

It is estimated that this will involve an increased cost of about \$30,000 per year.

(At the November, 1938 election the Municipal Conference Committee and the several organizations represented thereon opposed and had a major part in defeating three amendments initiated by members of the Fire and Police Departments—(1) a costly police pension measure; (2) a measure designed to bring members appointed to the Fire Department since January, 1932, under the same extra-liberal and costly pension provisions that then and now apply to firemen appointed prior to January, 1932; and (3) a measure dealing with company organization and working conditions in the Fire Department, including increased rates for fire captains and lieutenants.)

(The Conference Committee in opposing these measures at the November, 1938 election promised the several committees from the two Departments that should the amendments be defeated, it would seek to cooperate with the executive officers and men of the two Departments in working out any improvements that were deemed to be necessary and upon which mutual agreement could be reached. The proposed change in pay rates included in this amendment is the first step in this program. It is the declared intention of the Municipal Conference Committee to take up, during the coming year, the other matters involved in the 1938 amendments with the hope that any conditions that now hamper the efficiency of either Department can be dealt with by charter amendments to be submitted at the November, 1940 election.)

PROPOSITION No. 10**INITIATIVE ORDINANCE — JITNEY BUSES**

This is an initiative measure, to amend Ordinance No. 3212 (N. S.), regulating motor vehicles carrying passengers for hire, by adding a new section that will prohibit issuance of permits to operate jitney buses within a designated area in the City. The proposed amendment would, if adopted, prohibit jitney bus operation in the area bounded by the south line of Twenty-fourth Street extended easterly to the Bay, on the east and north by San Francisco Bay and on the west by the westerly lines of Church Street to Duboce Avenue, along Duboce Avenue to the west line of Fillmore Street, and thence north to San Francisco Bay. No restrictions are placed on operation of jitneys in the areas outside of this district by the amendment.

There are approximately 136 individual jitney operators, all operating in competition with the Market Street Railway. (Permits are not issued for the operation of jitneys in competition with Municipal Railway lines.) The operators pay an annual license fee of \$15.00 for a five-passenger automobile, and \$22.50 for a seven-passenger car. A City ordinance requires a minimum of \$5,000 and \$10,000 public liability insurance, and \$1,000 property damage. Based on jitney operators' claims and Market Street Railway officials' opinions, there appears to be approximately 5,000 persons served by the jitneys daily, or 10,000 rides. The Railroad Commission estimated a loss to the Company, due to jitney competition, of \$100,000 annually, and recommended that the Company petition the Supervisors for the elimination of such competition. The petition was denied by the Supervisors.

As this measure is regulatory rather than governmental, and therefore not within the Bureau's field, it is not analyzed nor commented on in further detail here.

PROPOSITION No. 11**DECLARATION OF POLICY (Coroner, Elective?)**

This declaration of policy—submitted by four Supervisors as authorized by the charter—asks the people to decide at the November 7th election whether the office of coroner should be made elective. An affirmative vote of the people would require that the Supervisors, at some future election, submit a charter amendment to bring about this change.

The office of coroner is one of several offices, formerly elective, that was made appointive under the Civil Service provisions of the new charter. From

the standpoint of efficient government, and good governmental organization, there can be no sound argument for making any such purely administrative office elective rather than appointive. Since the new charter took effect, the offices of County Clerk and Recorder, each of which was elective under the old charter and was made subject to appointment under the Civil Service provisions of the new charter, has been vacated and has been filled through the medium of Civil Service examinations. It is safe to say that persons appointed to these two positions as a result of Civil Service examinations, and who presumably were and are fully qualified to carry out the duties of the positions, would have had little or no chance of securing these positions by the elective process.

For such positions, including the position of coroner involved in this ballot proposition, the best selection can be made by open competitive examination designed to test the ability of the candidates—rather than solely the vote-getting ability of a person to whom the position or the salary may be attractive.

The City

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No. 1

San Francisco Charter Amendments on the November 5th Ballot

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5. Promotions
6. Pacific Gas and Electric Co. Employees
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CHARTER AMENDMENT No. 1

PARK DEPARTMENT

This amendment to Section 40 of the charter would, if adopted, "blanket in" under the civil service provisions of the charter all employees of the Park Department with the exception of a superintendent of parks, director of the Zoo, a Secretary of the Commission, and those employees in part time service whose compensation does not exceed \$80.00 per month. The amendment provides that all employees who occupy positions in the Park Department on September 1, 1941, and who have occupied such positions for one year immediately prior thereto, shall be continued in their positions as if appointed under civil service procedure of the charter. Approximately 550 employees would probably be affected by this measure. The measure also provides that compensation of the Park Department employees shall be subject to salary standardization to the same extent and in the same manner as other civil service employees now subject to salary standardization.

The effect of the salary standardization provisions of this proposed measure will be to increase compensations of about 300 per diem employees of the Park Department at a total cost of approximately \$25,000 per year. This amount will be required to pay the differential between the existing Park Department wage rates and the schedule of per diem compensation rates adopted earlier this year under the "piece-meal" salary standardization ordinance for per diem employees. Compensations of the employees on a monthly salary basis will probably not be affected until such time as a salary standardization schedule is adopted by the Supervisors in accordance with salary standardization provisions of the charter.

The Secretary of the Park Commission states that the relatively high percentage of aged employees now in the Park Department gradually will be replaced under Civil Service with a younger and more qualified personnel as the older men retire; and that the efficiency of the Department gradually will improve over a period of years as replacements are made.

It has always been the practice in San Francisco and other cities that, when a new group of positions is brought under Civil Service, the incumbents in such positions shall be "blanketed in" as Civil Service employees.

CHARTER AMENDMENT No. 2

LIBRARY DEPARTMENT

This measure would amend Section 43 of the charter by placing employees of the San Francisco Public Library under civil service provisions, with the exception of the Librarian, the Secretary of the Library Commission, and part time employees whose compensation amounts to less than

\$80.00 per month. Employees occupying positions in the Public Library on January 1, 1942, and for one year prior thereto, will continue in those positions as if appointed under civil service provisions of the charter.

There are approximately 100 employees affected by this proposed measure, of which number 65 are librarians with salaries ranging from \$110 to \$175 per month. The annual salary ordinance includes 12 library assistants at \$85.00 per month and one book repairer at \$90.00, whose compensations will be increased to the \$106.00 minimum wage provided by a charter amendment adopted November, 1939. It is estimated that approximately \$3,500 annually will be required for wage adjustments, if this measure is approved by the voters. All librarians and many of the other library employees are college graduates who have also been required to pass an examination before being employed by the Library. The measure was proposed by the Library Commission and Chief Librarian.

CHARTER AMENDMENT No. 3

CONTINUOUS SERVICE

This amendment to Section 161 would provide that any officer or employee of the City and County who also is a member of the City Retirement System, and is absent from his duties because of service in the military or naval forces of the United States, including the National Guard, after September 14, 1940, shall have the right to maintain his status in the Retirement System as if remaining in the City's service. In order to maintain such status, the employee shall continue to make contributions to the Retirement Fund in the same amount that would have been contributed if his service with the City had not been interrupted, except that if his base pay in the military forces is less than \$100 per month, the City shall make the member's contribution to the Fund. The City and County shall also continue to make "matching" contributions to the Retirement System on the same basis as if service had not been interrupted.

An actuarial report submitted to the Supervisors estimated that the maximum number of City employees who might be called for such military service or training in any one year would not exceed 130, and that the maximum cost to the City of making up employees' payments to the Retirement Fund in those cases where such employees received military pay of less than \$100 per month, would not exceed \$25,000 per year.

This measure is in line with national policy to provide reasonable protection for all employees, both public and private, that are called for military service or training.

CHARTER AMENDMENT No. 4

LEAVES OF ABSENCE

This amendment to Section 153 of the charter would provide for leaves of absence for City employees called for military service or training for the period of such service and for three months thereafter. The measure also provides for restoration of positions to such employees at the expiration of leaves of absence, and restoration of standing to those on civil service lists eligible for appointment to City positions. Furthermore, if the name of a person on such lists of eligibles should be reached for certification to a permanent position during the period of leave for military service, a temporary appointment would be made to such position during that person's leave of absence and, upon expiration of such leave, the eligible on military service leave would be appointed to that position.

This measure is designed to protect the status of both civil service employees and those who have secured standing on lists of eligibles for appointment, in the event such persons are called for military service. This is a companion measure to Charter Amendment No. 3, and is in line with national policy to provide protection for employees, both public and private, called for military service or training.

CHARTER AMENDMENT No. 5

PROMOTIONS

(Police and Fire Department Promotional Examinations)

This amendment to Section 146 of the charter would provide that all promotive examinations in the Fire and Police Departments "shall be entirely of a written character," and that such written tests shall be limited "to matters concerning the duties of members of the department for which the examination is held." The amendment would allow a credit for seniority (length of service), of 15 per cent of the total credits obtainable in any promotive examination. The amendment also would allow a total of 10 per cent in addition to the foregoing credits for seniority for ascertained merit and meritorious public service. Ascertained merit is defined as "a clean record in the department," and 6 of this 10 per cent is allotted for said clean record. The balance, 4 per cent, would be allowed for meritorious public service in the judgment of the Police or Fire Commissions. The proposition originated with the men in the Police and Fire Departments, who would be affected by the legislation.

This is a lengthy measure full of minute details as to how the credits for seniority shall be allowed in each department. Much of this detail should have been omitted and enacted by rule of the Civil Service Commission.

The sponsors of the measure claim that since written examinations have been the means of selecting persons for promotion in these departments for

years, there should be no change made in this procedure. However, the measure goes much further than the prevention of oral tests. It would, if adopted, prohibit the Civil Service Commission from giving even the most rudimentary physical examination. In addition to prohibiting oral tests it would also prohibit aptitude, general knowledge and intelligence tests.

The increase in credits for seniority of service from the existing maximum of 5 per cent to a maximum of 15 per cent, regardless of whether the service was good, bad or indifferent, would become a controlling factor in promotive examinations. This is an unduly large allowance for seniority and would act as a severe handicap to an applicant for promotion who possessed superior qualifications, but who had only a few years of service to his credit. This increased seniority allowance would tend to bar promotion for merit and ability—generally accepted elsewhere as the basis for promotion—until the man eligible for promotion had served a long term in the department. This would remove the incentive for the ambitious and able to strive for promotion.

The elimination of the oral examination (which is the principal argument of proponents) will prevent the Civil Service Commission from testing candidates, seeking promotion to positions of responsibility in command of men, in the attributes of leadership and ability to direct the activities of subordinates. Leadership and executive ability are important factors in the Police and Fire Departments, which are organized along semi-military lines, and must be ready at all times to meet any emergency.

In private employment, the oral examination is stressed, whereas the written examination is seldom given. The elimination of oral tests in promotional examinations for positions requiring supervisory ability, is contrary to practice in all modern civil service jurisdictions in the country, including the practice in San Francisco in other departments of the City and County.

The amendment has been vigorously opposed by the Civil Service Commission—the City's expert personnel agency—on the ground that, if adopted, it would represent a long step backward in the City's testing procedure under the merit system.

CHARTER AMENDMENT No. 6

PACIFIC GAS AND ELECTRIC COMPANY EMPLOYEES (Temporary Retirement Benefits Under Lease)

This amendment would, if adopted, add a new section, 165.1, to the charter, and would grant to the Board of Supervisors the power to provide, by ordinance, retirement benefits for Pacific Gas and Electric Company employees who may become City employees under any leasing arrangement between the City and the Company. The amendment requires that the ordi-

nance setting up retirement benefits shall contain essentially the same retirement benefits for the P. G. and E. employees temporarily in the employ of the City under a lease arrangement as if these employees had continued in the Company's service throughout the term of the lease. The measure also provides that in the event these employees became permanent employees of the City, due to subsequent purchase of the leased properties by the City, such employees will become members of the retirement system provided for miscellaneous City employees.

Charter Amendment No. 6 was placed on the ballot by the Supervisors without first securing an actuarial report from the Retirement Board concerning the possible effect of the measure. Section 158 of the charter states in part, "The Board of Supervisors shall secure through the Retirement Board an actuarial report of the cost and effect of any proposed change in the benefits under the Retirement System before enacting an ordinance or before voting to submit any proposed charter amendment providing for such change." Although this omission was brought to the attention of the Supervisors by this Bureau when the measure was before the Board for consideration prior to adoption, the City Attorney gave a verbal opinion that an actuarial report was not necessary as the proposed amendment made no change in the benefits under the retirement system.

In July of this year an agreement was signed by San Francisco at the insistence of the Secretary of the Interior, which stipulated that the City either must submit a proposed leasing arrangement by October 1st of this year, said leasing arrangement to be acceptable to the Secretary, or, if the lease failed to materialize, the City must submit a revenue-bond charter amendment to the voters by December 17th to provide funds to buy or build a distribution system; if the City abided by this agreement, the Federal court injunction against the present Hetch Hetchy power contract would be held in abeyance to June 30, 1941. The City would have lost approximately \$2,400,000 per year in power revenue if this agreement had not been signed.

This measure could only become effective in the event the City leased the Company's electric distribution properties in San Francisco. Although City and Company officials have expressed the belief that it may be possible to meet Secretary Ickes' objections to the plans that have been submitted to him for approval, it seems to be the opinion in some quarters, especially of the representatives of San Francisco organizations who attended the Washington conference with the Secretary on May 21, 1940, that a satisfactory agreement cannot be reached, and that the City will be forced to call a special election for a revenue-bond proposal to buy or build a distribution system. The voters have defeated similar proposals in one form or another eight times in the past thirteen years. The voters turned down the last proposition—a \$55,000,000 revenue bond issue on the May 19, 1939, special election ballot—by a vote of 49,801 for and 122,517 against the measure.

CHARTER AMENDMENT No. 7

EMPLOYEES TEMPORARILY ACQUIRED FROM THE PACIFIC GAS AND ELECTRIC COMPANY

Charter Amendment No. 7 would, if adopted, add Section 125.1 to the charter and would provide temporary civil service status for employees of the Pacific Gas and Electric Company, who would be taken over with the San Francisco distribution system in the event a lease were arranged between the City and the Company. The amendment also would provide permanent civil service status to these employees in the event the City should purchase the leased properties at any time in the future.

This is a companion measure to Charter Amendment No. 6, and can only become effective in the event the City enters into a lease with the Company.

CHARTER AMENDMENT No. 8

HEALTH SERVICE SYSTEM

This measure would amend Section 172.1 of the charter (which provides for a health service system for City and County civil service employees at no cost to the City) by providing for a review by the Retirement Board of the Health Board's rulings on compensation for professional services and adequacy of medical service to the members of the Health Service System. The measure would provide that in January of each year at public hearings the Health Service Board shall review and determine the adequacy of medical care to be provided for the members of the system and the adequacy of the fee schedules set up for services rendered by physicians, dentists, hospitals, etc. The actions of the Health Service Board, created to administer the Health Service System, would be subject to review by the Retirement Board upon an appeal taken within 30 days by a petition signed by not less than 15 per cent of either the members of the system, or by the professional groups who have contracted to render services or supplies to members of the system. The Retirement Board may by a majority vote approve or disapprove of the action of the Health Service Board, or re-refer the matter to the Health Service Board for further consideration. Failure on the part of the Retirement Board to act within 60 days after the petition is filed, shall constitute approval. The Health Service Board also must act within 60 days after receiving written communication concerning the administration and operation of the Health Service System by any member or any person who has contracted to render medical care to the system.

The original charter provision, creating the Health Service System for municipal employees, was approved by the voters in 1937. The measure on the ballot represents a compromise between the various groups interested and does not in any way add to the costs of the City.

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The City

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OCTOBER 23, 1941

No. 1

Charter Amendment No. 1

\$66,500,000 Revenue Bonds for Power Distribution

Issued by the

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with officials and specifically work for economy and efficiency in municipal affairs."*

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Summary

1. Charter Amendment No. 1 on the November 4th ballot would authorize, by majority vote, the issuance and sale of revenue bonds, up to a maximum of \$66,500,000, for the acquisition of the local power distribution system, or the construction of a duplicating system.

2. Although the proposed amendment is based on a report issued by the Public Utilities Commission, designated as Plan Nine, the charter amendment fails to specify any plan and provides that any original plan may be deviated from by the Public Utilities Commission.

3. The charter amendment provides that the terms and conditions of the bonds shall be fixed by the Board of Supervisors, although not to exceed 40 years in life, unless refunded, and with the interest rate limited to 5% as a maximum. Thus, although the voters are required to vote on the proposition on November 4th next, the terms and conditions of the bonds will not be known until determined, years hence, by the Board of Supervisors.

4. Plan Nine provides for the purchase of the entire local distribution system, for the purchase and construction of an addition to a local standby station, and for the construction of a transmission line, a stepdown station, connections to the distribution system, and an office building, warehouse, equipment, etc.

5. Hetch Hetchy power to be distributed over the system will be insufficient for the local demand. Plan Nine proposes to make up the difference by power purchase from the Pacific Gas & Electric Company, or, as a later alternative possibility, from the Central Valley system.

6. The Plan Nine report shows a surplus of \$5,233,000 after deducting charges for operation, depreciation, taxes now paid by the Company, and bond interest and redemption charges. On the basis of the financial analysis of Plan Nine, as outlined hereinafter, it is probable that this estimated surplus will prove to be less than the net revenue now received by the City from Hetch Hetchy power operations—approximately \$2,000,000 per year, and with none of the fiscal hazards and speculation involved in Plan Nine, as outlined in this report.

CHARTER AMENDMENT No. 1

ELECTRICAL SYSTEM REVENUE BONDS

(\$66,500,000 Revenue Bond Issue for Acquisition or Construction of a Local Power Distributing System)

Charter Amendment No. 1 on the November 4th ballot would, if adopted by a majority vote of the people, authorize the issuance of \$66,500,000 of revenue bonds for the purpose of acquiring the local power distribution system of the Pacific Gas & Electric Company, or for the construction of a duplicating system.

The official consideration of the charter amendment was based—and the campaign for and against the amendment is based—on a report issued by the Public Utilities Commission under date of August 11, 1941 and designated as "Plan Nine." However, Plan Nine is not referred to in the charter amendment and, by the terms of the amendment, the Public Utilities Commission is specifically authorized "to make such changes in the method or means initially adopted for the acquisition and/or construction or completion of the system and to such extent as may be deemed necessary or proper by the Public Utilities Commission . . ."

In this report, the major provisions of Charter Amendment No. 1 are discussed following which the provisions of Plan Nine are analyzed.

Matters Leading Up to Charter Amendment No. 1 and Plan Nine:

Charter Amendment No. 1 and Plan Nine constitute the eighth proposal to be submitted to the voters for the purpose of enabling the City to engage in the power distribution business. Of the seven preceding proposals, submitted during the period ranging from November, 1927 to May, 1939—each of which was defeated—two dealt with fragmentary parts of the power distribution matter, and the other five dealt with city-wide distribution.

On April 22, 1940, the Supreme Court held that the contract between the City and the Pacific Gas & Electric Company, under which Hetch Hetchy power had been disposed of since 1925, was not a contract of agency but was a contract of sale and, therefore, was illegal under the Raker Act. The court further held that it was the intent of the Raker Act that the City should engage in the municipal distribution of Hetch Hetchy power. The Supreme Court returned the matter to the United States District Court, which had originally declared the 1925 contract to be illegal and had ordered performance thereunder discontinued. By stipulation between Federal and City officials, the District Court agreed to a stay of execution until June 30, 1941 giving City officials time to attempt to work out with Pacific Gas & Electric officials an arrangement whereby the City would lease the properties

of the Company, or, in lieu thereof, to re-submit a power-distribution proposal to the voters.

After lengthy negotiations between City and Company officials, a proposed lease agreement, designated as Plan "E" Revised, was submitted by City officials to the Secretary of the Interior, who on May 22, 1941 declared the proposed lease agreement to be illegal and not in conformity with the Raker Act and the decision of the Supreme Court thereon. Soon thereafter City officials started work on the report designated as Plan Nine.

Subsequently, on the basis of another stipulation (June 23, 1941) suggested by the Secretary of the Interior and agreed to by City officials, the United States District Court agreed to a further extension of operations under the 1925 contract until June 30, 1942. It was agreed as part of the stipulation that the City, on the completion of Plan Nine, would submit this to the Secretary of the Interior and, if approved by the Secretary, would submit to the voters at the November 4, 1941 election, a charter amendment to carry this into effect; and, further, that no controversial matters nor proposals to amend the Raker Act would be placed on the same ballot by the Supervisors.

Under date of August 11, 1941, the Public Utilities Commission issued its report designated as Plan Nine, approved by the Secretary of the Interior and providing for the issuance of \$66,500,000 of revenue bonds to provide for "the ownership and operation of the entire San Francisco electric system."

On September 15, 1941, the Supervisors "ordered submitted" to the voters at the November 4th election a charter amendment, designated as Charter Amendment No. 1, authorizing the issuance of this amount of revenue bonds, and granting authority to the Public Utilities Commission and the Board of Supervisors to take various specified steps and actions to acquire or construct, and to operate the proposed electrical system.

Provisions of Charter Amendment No. 1:

Some of the important provisions of Charter Amendment No. 1 are as follows:

The Supervisors, on the basis of reports—estimates of cost, income, expenditures, etc.—to be prepared by the Public Utilities Commission and verified by the Controller, are authorized to issue revenue bonds as required, up to a total of \$66,500,000, for acquiring the local privately owned electric distribution system, or for the construction in whole or in part of a duplicating distribution system, and for the construction, new, of a transmission line, standby station, stepdown station, office building and other appurtenances. Acquisition or construction, and management of the system would be under the Public Utilities Commission.

The bonds would be exclusive of the charter 12% debt limit. The life of the bonds is fixed at 40 years maximum with provision that any of the bonds

may be refunded for an additional 40 years from the date of such refunding. Maximum interest rate is fixed at 5%.

All expenses are to be payable solely out of the revenues of the System. Such revenues are, by the terms of the amendment, allocated in the following order: (a) Debt charges; (b) Operating expenses, including the sum of \$1,000,000 in lieu of taxes and other payments now made to the City by the privately owned System, and charges (optional with the Utilities Commission) for electricity generated or services furnished by the Hetch Hetchy project; (c) Maintenance and repairs; (d) Reconstruction, replacements, extensions, improvements and betterments; and (e) Surplus operating fund, not to exceed 25 per cent of the amount expended for operation, maintenance and repairs.

Taxpayers' Present Benefits Not Guaranteed:

(No specific provision is made in the amendment for payment—to the benefit of the taxpayers, and out of power revenues—of the amount, approximately \$2,000,000 net, now received by the City from Hetch Hetchy power operations. During consideration of the charter amendment by the Board of Supervisors, the proposal was made by this Bureau that it be specifically provided in the amendment that the charge for electricity or services furnished by the existing Hetch Hetchy project, to be fixed by the Public Utilities Commission, be not less than \$2,000,000 annually.

(The Bureau stressed the point that all of the proceedings of the last several years had been devoted to efforts “to save this \$2,000,000”; and that if the taxpayers were to be guaranteed this revenue, specific provision should be made therefor in the proposed charter amendment. This proposal was opposed by the Manager of Utilities, who stated that it would freeze the revenues of the System and that the amount of such payment should be left to the discretion of future Public Utilities Commissions. The proposed amendment was voted down by the Supervisors.)

By the terms of the amendment, the Supervisors are authorized to loan “any available monies” for the cost of acquisition or construction of the works, such loans to be repaid from the first proceeds from the sale of revenue bonds. Any City funds “legally available for that purpose” (in addition to revenues of the System) may be used for acquisition or construction of the System.

The amendment states that its provisions shall not interfere in any way with the power of the voters to vote general obligation bonds for the purposes of the System.

The cost of acquisition plus the initial six-months' operating expenses and interest, is limited to 2 per cent (\$1,330,000) of the total amount of revenue bonds.

It is specifically provided that the proceeds of revenue bonds may be used for the acquisition or for the construction in whole or in part of the works needed for the System. (This authorizes duplication of existing facilities which may be exceedingly wasteful and costly. In Plan Nine, the sum of \$7,688,000 is specifically allocated for such duplicating construction—standby and stepdown stations, transmission line, inter-connections, office building, etc.)

All conditions as to form, denomination, terms and retirement of the bonds are left to the future determination of the Supervisors. (It has been stated that this is necessary and desirable, in the interests of flexibility. However, it leaves the *fixing* of the terms of the bond issue for determination years after the people vote on the matter.)

Surplus revenues may be absorbed by lower rates to be proposed by the Public Utilities Commission for the purpose of preventing accumulation of surpluses or, in lieu of such lower rates, any surpluses may be transferred to the City's General Fund (for tax-reduction purposes).

Capital Expenditure Program Under Plan Nine:

The capital expenditure program outlined in Plan Nine ("Statement of Capital Required") is shown in the following table.

The items representing duplication of existing Company properties that, presumably, are adequate for present electrical service to San Francisco are marked with a "D".

CAPITAL EXPENDITURES—PLAN NINE

Distribution System.....	\$43,688,000
Station "P" (Existing Plant).....	2,542,000
Intangibles, including franchise refund and severance.....	4,500,000
Acquisition Expense.....	500,000
<hr/>	
Total Acquisition Cost, as of December 31, 1941.....	\$51,230,000
<hr/>	
Station "P" (Additional Unit).....	2,673,000 D
Stepdown Station.....	492,000 D
Connections to Distributing System.....	915,000 D
Red Mountain Bar power house.....	1,565,000
Transmission line.....	1,308,000 D
Office, Shop, Warehouse, Equipment.....	2,300,000 D
Materials and Supplies.....	200,000
Working Cash.....	700,000
Probable additions and betterments before acquisition.....	3,500,000
Contingencies	1,617,000
<hr/>	
Total Bond Issue.....	\$66,500,000

Details of Plan Nine:

Plan Nine proposes the purchase of substantially the entire San Francisco distribution system of the Pacific Gas and Electric Company, at an estimated cost of \$51,230,000, including \$2,542,000 for the Company's Station "P" at Hunters Point, \$4,500,000 for severance damages, intangibles, and franchise refunds, and \$500,000 for acquisition expense.

In addition, the plan provides for an investment of \$10,153,000 in the following capital additions: An addition to steam standby Station "P", at an estimated cost of \$2,673,000; a stepdown station in conjunction with Station "P", \$492,000; connections to distribution system, \$915,000; construction of a power house at the Red Mountain Bar siphon, above the Modesto-Turlock Irrigation District's Don Pedro reservoir, at an estimated cost of \$1,565,000; the construction of a transmission line from the present terminus of the Hetch Hetchy line at Newark to the stepdown station in San Francisco, \$1,308,000; the construction of offices, shops, warehouses, and the purchase of necessary equipment, \$2,300,000; purchase of needed materials and supplies, \$200,000; and working capital to commence operations, \$700,000.

In addition to the foregoing items of estimated capital expense, the Plan also provides \$3,500,000 for probable additions and betterments, including normal extensions and new service preceding acquisition, which, the report estimates, will require five years. Another item of \$1,617,000 has been included for "contingencies," making a total estimated authorization of bonds necessary of \$66,500,000.

Differences Between Current and Previous Plan:

The main differences between the current Plan Nine, and the \$55,000,000 Plan Eight, voted down in 1939, are as follows:

Plan Nine provides nearly \$3,700,000 more for the acquisition of the distribution system, including the cost of acquisition. It provides over \$7,900,000 more for construction of a stepdown station, connections to distribution system, transmission line from Newark to San Francisco, and acquisition and enlargement of a steam standby plant. (Under Plan Eight, it was proposed to lease the necessary transmission line and the stepdown station and secure standby service from the Company.)

Plan Nine provides \$3,500,000 to cover the cost of Company additions and betterments during the period of acquisition (five years). It provides for additional cost, over Plan Eight, of about \$750,000 for Red Mountain Bar power house, and for office building, shop, warehouse and equipment. It provides for contingencies (not included in Plan Eight) the sum of \$1,617,000.

Plan Nine, as is shown in the table, sets up \$4,500,000 for intangibles. This is \$6,000,000 less than the \$10,500,000 set up in Plan Eight and the 1939 charter amendment as a 'margin for additional valuation'.

COMMENTS ON CAPITAL EXPENDITURE ESTIMATES

Plan Nine estimates the cost of the Company's distribution properties—reproduction cost, new, less depreciation—as of December 1, 1941, at \$43,688,000, as compared with historical cost, according to Plan Nine, of \$43,000,000.

Any increase by valuation proceedings in this estimate of \$43,688,000 will increase the capital cost as estimated in Plan Nine. Any such increase will require the authorization of additional bonds, and will require, also, additional annual bond interest and redemption payments, out of revenues of the System, at the rate of \$48,158 per year for each million dollars of increase.

Estimates shown in Plan Nine, as compared with estimates used in the 1939 Plan Eight, for similar structures, show increases of 15 per cent in the amount estimated for office, shop, warehouse, equipment; and 39 per cent in the estimated cost of the Red Mountain Bar power plant.

Possible Increased Cost of Severance and Other Intangible Damages:

Plan Nine includes the sum of \$4,500,000 as "allowance for going concern values, profit making power, franchise refund (\$200,000), severance damages, and various other intangibles." This is less than 10 per cent of the reproduction cost new, less depreciation, of the value—\$46,230,000—as estimated in Plan Nine, of the physical properties to be acquired.

In the Railroad Commission's 1924-1929 valuation (decision of June, 1929 in the condemnation proceedings initiated by the City and County of San Francisco in February, 1924) of the Great Western Power Company and the Pacific Gas & Electric Company's local properties—since consolidated—the amount allowed for intangibles, including severance damage, was equivalent to 34.9 per cent of the Commission's valuation of the physical property to be taken.

On this basis the amount required for severance damage and other intangibles, for the property proposed to be taken over under Plan Nine, would be \$16,130,000—\$11,830,000 greater than the figure included in Plan Nine.

This additional sum would require additional bonds and additional average annual bond interest and redemption payments, of \$570,000, on the basis used in the Plan Nine report—33-year life, 3% interest rate, and a graduated scale of bond retirement that is designed to maintain the total annual debt charges at the same amount for each year of the life of the bonds.

The Railroad Commission's allowance of 34.9%, in its 1929 decision in the San Francisco case, was based on the City's proposal to take over all of the properties of the two companies within the City. Plan Nine contemplates

taking over the same distribution system, brought up to date, but, in its acquisition proposal, omits certain items, such as trans-bay cables, standby stations, etc. These, if left in the possession of the Company and isolated from their normal load, may furnish the basis for a higher allowance for severance damage. (The Manager of Utilities states that these properties will not be isolated from their normal load. However, in another part of the Plan Nine report, it is stated that negotiations are under way between the City and the Central Valley Power project for the purchase of power that will be required by the City to supplement its Hetch Hetchy power.)

Allowances in Other Cases:

Decisions of the Railroad Commission in various other condemnation cases also indicate the uncertainty of estimates of intangible values, and the difficulty of predicting these, in advance, in any given case.

TULARE: In July, 1933, in the case of the City of Tulare vs. the Southern California Edison Company, the Commission's allowance for severance damages was equivalent to 14.35 per cent of the value of the physical property as determined by the Commission.

MODESTO IRRIGATION DISTRICT: In May, 1934, in the case of the Modesto Irrigation District vs. The Sierra-San Francisco Power Company, the amount allowed by the Railroad Commission for intangibles including severance damages was equivalent to 45 per cent of the Commission's valuation of the physical property.

FRESNO: In November, 1936, in the case of the City of Fresno vs. the San Joaquin Light & Power Company, the Railroad Commission's valuation of severance damages and other intangibles was equivalent to 89.5 per cent of the Commission's valuation of the physical properties involved.

REDWOOD CITY: In August, 1937, in the case of Redwood City vs. the Pacific Gas & Electric Company, the Railroad Commission's allowance for severance damages and intangibles was equivalent to 64.9 per cent of the Commission's valuation of the physical property to be taken.

Cost of Normal Annual Additions and Betterments:

Plan Nine includes the sum of \$3,500,000 as the estimated cost of additions and betterments, at the rate of \$700,000 annually, that will be made by the Company during the period of five years that it is estimated, in the Plan Nine report, will be required for the proceedings to condemn and acquire the Company's property. Thereafter, under the terms of Charter Amendment No. 1, designed to carry Plan Nine into effect, this sum of \$700,000 annually will have to be provided from the revenues of the System.

(In private utility operations, such additions and betterments, if made from revenues, would be capitalized from time to time by application to and approval of the Railroad Commission.)

The statement of financial results included in Plan Nine, designed to give effect to debt and all other charges, makes no provision for this estimated \$700,000 annual expenditure.

It is probable that this expenditure for additions and betterments each year will bring in additional revenue of approximately \$70,000 per year, using the ratio shown in Plan Nine between estimated revenues and estimated capital expenditures, and will require the setting up of a minimum of \$21,000 per year for depreciation charges.

Acquisition Expense:

The Plan Nine estimate of capital required includes the sum of \$500,000 for acquisition expense. The proposed Charter Amendment No. 1 authorizes the Board of Supervisors to appropriate funds for the payment of costs or expenses preliminary or incidental to the acquisition of the System. It provides also that all amounts so appropriated shall be repaid out of the first proceeds of the sale of revenue bonds.

Such appropriations will be either tax funds or monies that, if not so appropriated, would be available for tax reduction purposes. It should be kept in mind that if the charter amendment is voted and, under condemnation proceedings, the costs are found to be higher than estimated in Plan Nine, and additional bond funds are not provided for such additional costs, such tax funds will be lost to the taxpayers.

As an example, the 1924-1929 condemnation proceedings and the resulting election, at which the proposed bond issues were defeated, cost over \$400,000, appropriated out of City funds for such purposes.

Duplication of Existing Facilities:

In the analysis of Plan Nine, consideration must be given to the fact that it involves the duplication of existing facilities that, presumably, are now adequate for service to San Francisco consumers. These total \$7,688,000, and include Station "P" additional unit, stepdown station, connections to distribution system, transmission line, and office, shop, warehouse, and equipment. The Manager of Utilities, relative to the item of \$2,300,000 for office, shop, warehouse and equipment, states that certain of these properties are used jointly by the gas and electric divisions of the Company, cannot be subdivided, and, therefore, must be duplicated by the City.

INCOME STATEMENT

PLAN NINE (1941) ESTIMATES

Plan Nine
(1941)

Revenues:

1. Plan 9—Estimated for 1941.....\$16,500,000

Operating Expenses

2. Present Hetch Hetchy System—operation.....	160,000
3. Red Mountain Bar power house.....	16,000
4. Transmission Line Extension.....	15,000
5. Station "P" (Standby) and Stepdown Station.....	168,000
6. Connections to Distributing System—Operation Cost.....	10,000
7. Excess electricity to be purchased (Approximately 349,000,000 kilowatt hours at 8.18 mills).....	2,855,000
8. Operation and maintenance of distribution system.....	1,044,000
9. Allowance to cover possible increases in labor and material for operation of distribution system.....	108,000
10. Customers' accounting, collecting, metering, etc.....	453,000
11. Sales promotion of new business.....	65,000
12. Administrative and general overhead expense.....	449,000

13. Operation Expenses.....\$ 5,343,000

Depreciation

14. Present Hetch Hetchy power system.....	278,000
15. Distribution System at 3% (Apparently on \$42,333,000 of depreciable property).....	1,270,000
16. Present Station "P" at 3.4%.....	97,000
17. New Property (Apparently 3% on \$8,900,000).....	267,000

18. Total annual depreciation.....\$ 1,912,000

19. Total operation and depreciation.....\$ 7,255,000

20. Ad Valorem taxes on distribution system paid by P. G. & E. Co. to City	860,000
21. Ad Valorem taxes on Station "P" paid by P. G. & E. Co. to City.....	38,000
22. Electric franchise taxes paid by P. G. & E. Co.....	80,000

23. Total of above taxes.....\$ 978,000

24. Total operating expenses, depreciation, and taxes.....8,233,000

25. Net Operating Revenue after above deductions from gross revenue for 1941.....8,267,000

Financial Results After Giving Effect to Bond Charges

a. Less Average Annual Bond Interest (initial year, \$1,890,000).....1,125,000

b. Net Profit.....\$ 7,142,000

c. Less average annual bond redemption (initial year, \$1,144,000)....1,909,000

d. Surplus to San Francisco, after above.....\$ 5,233,000

Other Charges not Included in Plan 9

a. a. Raker Act "Fair Proportion" Charges (Public Utilities Commission authorized to fix).....0

b. b. Taxpayers Current Revenue from Hetch Hetchy power operations (approximately \$2,000,000, net).....0

PLAN NINE INCOME STATEMENT AND FINANCIAL RESULTS

The following table shows the income statement as outlined in the Plan Nine report, also the estimated financial results after giving effect to debt charges, as outlined in the report.

These figures, as compared with similar figures in the 1939 Plan Eight, show an increase in surplus amounting to \$794,000. This is made up of an increase of \$676,000 in estimated revenues and a decrease of \$118,000 in expenses of every nature.

The increase of \$676,000 in revenue, as shown in the Plan Nine report, is derived from conservative estimates of revenue for 1941, as compared with actual revenues for 1937, which were used in the Plan Eight report—an average increase of \$169,000 per year for the period. (There is no comparable increase in operating expenses—rather, a decrease is shown.)

Expenses estimated for Plan Nine as compared with Plan Eight other than for bond interest and redemption, show increases totaling \$681,000 and a decrease totaling \$353,000—a net increase of \$328,000. The principal items of increase are \$364,000 for depreciation on new property to be constructed and an increase of \$278,000 in taxes to be paid by the System to the City. The principal item of decrease is \$145,000 less to be paid for power to be purchased.

Bond interest and redemption charges show a decrease of \$446,000 as compared with debt charges shown in Plan Eight for the initial year. This is due—although on a \$66,500,000 bond issue as compared with the \$55,000,000 bond issue under Plan Eight—to the fact that the Plan Nine bond issue is based on a 33-year life as compared with a 25-year term under Plan Eight; also, to the fact that Plan Nine contemplates setting up even amounts each year for the combined interest and redemption charges so that these will average \$3,034,000 per year for each year of the life of the bonds.

Possible Increase in Estimated Operating Expenses:

The Plan Nine report estimates the operation and maintenance of the distribution system, with an allowance to cover possible increases in labor and materials, as \$1,152,000. As it is contended that this cost is affected by system-compactness, it is analyzed separately here. (The Manager of Utilities states that his figure is based on the Company's statement of cost for 1941, \$1,044,000, under the proposed lease-agreement, to which he has added \$108,000 to cover possible increases.)

The report also estimates commercial expense—the cost of consumers

accounting, collecting, metering, etc., sales promotion and administrative and general overhead expense—as \$967,000.

The two items, distribution and commercial, total \$2,119,000.

For the latter group of estimated expenses, (commercial) totaling \$967,000, estimates based on the cost per customer, of five other systems along the Pacific Coast (two municipal and three privately-owned), average \$8.70 per year per customer, as shown in the following table. For the P. G. & E. System, such costs per customer average \$8.04 per year. Using this figure as a basis, these costs for operating the System under Plan Nine would amount to \$1,809,000 instead of the \$967,000 estimated, or an increase of \$842,000.

Distribution and Commercial Comparative Unit Costs

	1940 Cost per Customer— Customer Ac- counting, Sales Promotion Adm. and General	Estimated Cost if applied to Plan Nine (225,000 Customers)	1940 Cost per Customer Distribution Expense	Estimated Cost if Applied to Plan 9 (225,000 Customers)
Southern California Edison.....	\$9.29	\$2,090,000	\$5.85	\$1,316,000
San Diego Gas & Electric.....	7.17	1,613,000	4.98	1,120,000
L. A. Bureau Power & Light....	9.87	2,220,000	7.53	1,694,000
Seattle Dept. of Lighting.....	9.17	2,063,000	6.55	1,473,000
Pacific Gas & Electric System....	8.04	1,809,000	6.45	1,451,000
Averages.....	\$8.70	\$1,957,000	\$6.27	\$1,410,000
Plan Nine	\$4.30	\$ 967,000	\$5.12	\$1,152,000

For the first mentioned group of expenditures—operation and maintenance of distribution system—for which Plan Nine estimates \$1,152,000, the average cost per customer of these five systems is \$6.27 per year, and, for the P. G. & E. System, \$6.45 per year. Using the latter figure as a basis, a cost for Plan Nine distribution expense of \$1,451,000 is indicated instead of the \$1,152,000 estimated in Plan Nine, or an increase of \$299,000.

These two possible increases total \$1,141,000 in excess of the \$2,119,000 included for these in Plan Nine.

Possible Increase in Labor and Material Costs:

The estimated cost of operation and maintenance of the distribution system, \$1,152,000, as shown in Plan Nine and as used above, includes the sum of \$108,000 stated in Plan Nine as “allowance to cover possible increases in prices of labor and materials for operation and maintenance of the distribution system.”

This sum may prove to be inadequate. The number of Company employees to be taken over by the City, if it acquires the Company's system,

is not known. It is known, however, that for a number of the employees proposed to be taken over under the Plan "E" lease arrangement, the rates of pay shown for the various classifications would have involved a sizeable percentage increase in payroll costs if they had come over as City employees and under City classifications and pay rates.

Possible Additional Cost of Purchased Power:

Under Plan Nine it is estimated that 349,000,000 kilowatt hours of energy will be purchased from the Company at an estimated cost of \$2,855,000. This indicates an average rate per kilowatt hour of 8.18 mills. The Plan Nine report states that this power "has been priced at the rates proposed by the Pacific Gas & Electric Company in the Plan 'E' lease."

Since this rate was a voluntary one offered by the Company, it must be kept in mind that the Railroad Commission may uphold the scale of rates established in its Schedule P-6. The average rate calculated on the basis of such schedule for the large block of power involved was fixed at 9.09 mills in the 1939 Plan Eight. On this basis, the cost would be increased by \$317,000 over the amount shown in Plan Nine.

(The Plan Nine report states that negotiations with the Central Valley Power project may lead to a lower cost to the City for purchased power, amounting to a saving of \$1,086,000 for this item. This is speculative and is not included in the Plan Nine income statement. If such a plan can be effected, obviously it would cut the Company properties from their local market, and would increase the allowance for severance damages.)

Possible Increased Cost for Depreciation, Reconstruction and Replacements:

Plan Nine sets up provision for depreciation of the distribution system the sum of \$1,270,000, based on the rate of 3 per cent of the depreciable property. The report states, "The resulting charges are much greater than would be applied by privately owned utilities, as they use the sinking fund basis for determination of depreciation charges; in the case of the Pacific Gas & Electric Company, the Company is using a rate of 1.82 per cent for depreciation purposes."

This is somewhat misleading, as the rate of 1.82 per cent is the annual annuity, on a 6 per cent sinking fund basis, to replace and renew the property (to offset depreciation) in 25 years. It is based on the appraisal tables of the Railroad Commission—which show the P. G. & E. distribution properties as having a weighted average life of 25 years—to provide adequate funds for depreciation.

Whether the method used is "straight line," as proposed in Plan Nine, or for the sinking fund method authorized by the Railroad Commission and used by the Pacific Gas & Electric Company, both are necessarily based on

the average life of the property. The distribution properties of the Pacific Gas and Electric Company, having a weighted average life of 25 years, should require that depreciation, on a "straight line" basis, be set up at the rate of four per cent per year of the value of depreciable property. This would provide reserves for replacements equal to the amounts set aside by the Pacific Gas & Electric Company under the 6 per cent sinking fund method authorized by the Railroad Commission.

This 4 per cent rate for the distribution system would involve an increase of \$425,000 a year in the amount set aside for this purpose. A similar rate for new property (\$8,900,000) would involve an increase of \$89,000 per year; and for additions and betterments to be constructed during the five-year acquisition period \$3,500,000 for which Plan Nine makes no allowance, an increase of \$140,000 per year.

Actual Costs Must Be Met:

The expenses required for depreciation, replacement, and renewals will occur in accordance with the average life of the properties concerned, and will have to be provided for out of earnings whether or not **any** funds are set aside for depreciation reserve or whether the amount set aside is at the rate of 3 per cent or 4 per cent.

The rates of depreciation for other power systems along the Pacific Coast are as follows: The Los Angeles Bureau of Power & Light, 3% for the system, 2.85%, applicable to distribution property only; Seattle municipal system, weighted average rate of 4% on a "straight line" basis; Pacific Gas & Electric Company's distributing system, 1.82% annuity on a 6% sinking fund basis with appraised average property life of 25-26 years, equivalent to 4% "straight line"; Southern California Edison Company, same annuity and 6% sinking fund basis as Pacific Gas & Electric Company, with appraised average life of depreciable properties 24-25 years, equivalent to 4% on a "straight line" basis; San Diego Gas & Electric Company, as allowed by Railroad Commission, average 4.5%.

In considering the above, it is to be kept in mind that Plan Nine proposes amortization of debt at the average rate of \$1,909,000 per year.

Tax Payments to City:

Plan Nine sets up the sum of \$978,000 to be paid from revenues to reimburse the City for the taxes lost if the System is acquired by the City and the property is removed from the tax rolls. This is made up of \$898,000 in ad valorem taxes, and \$80,000 in electric franchise taxes.

Charter Amendment No. 1, to be voted on November 4th, provides that the sum of \$1,000,000 shall be paid to the City to offset the loss in such tax payments. This is the estimated amount of such tax and franchise payments for the current fiscal year, 1941-42.

Plan Nine states that it is estimated that it will take five years to acquire the properties. A proposal by this Bureau that the Supervisors change the charter amendment—so that the Public Utilities Commission, if the properties should be acquired by the City, might increase this amount in accordance with whatever the tax loss would be at such time of acquisition—was voted down by the Supervisors.

If the City acquires the property and, at the time of acquisition, the Company's assessed valuation has increased and its tax payments are in excess of the \$1,000,000 provided, the amount of such excess will be lost to the taxpayers.

No Charge Included for Use of Hetch Hetchy System:

The estimates included in Plan Nine contain no charge whatsoever for payment to the Hetch Hetchy project, and thus indirectly to the taxpayers, for the use of the Moccasin Creek and Early Intake power plants, the transmission lines to Newark, and the entire Hetch Hetchy water system, without which the water could not be stored and transmitted for power production purposes. Such charges—the so-called “fair proportion” charges—are required by the Raker Act, but, as stated, has been excluded from the estimates included in Plan Nine.

However, Charter Amendment No. 1, designed to implement Plan Nine, authorizes the Public Utilities Commission to make such a charge as part of the operating revenues of the System.

No Taxpayers' Guarantee of Hetch Hetchy Power Income:

The revenue accruing to the taxpayers from Hetch Hetchy power operations has amounted annually to about \$2,400,000 gross, and \$2,000,000 net.

A proposal by this Bureau to the Board of Supervisors that the charge, to be fixed by the Public Utilities Commission, for water, energy or service furnished by the Hetch Hetchy project, be specified “at a sum of not less than \$2,000,000 annually” was voted down. Such a provision would have guaranteed to the taxpayers the amounts they have been receiving from Hetch Hetchy power, which sum might be considered, also, as covering the Hetch Hetchy “fair proportion” charges referred to above.

SUMMARY OF FISCAL ANALYSIS

The foregoing analyses have dealt with the fiscal aspects of Plan Nine and Charter Amendment No. 1, designed to carry this into effect.

These analyses indicate a possible increase of millions of dollars of capital expenditure over the \$66,500,000 provided by Plan Nine and the proposed Charter Amendment No. 1 for the acquisition or construction of the System,

with accompanying heavy increase in bond interest and redemption charges, and without a corresponding increase in revenues over the amounts estimated in Plan Nine; the necessity of financing the annual cost of additions and betterments out of revenues; the possible heavy increase in distribution and related expenses, depreciation expenses, and cost of purchased power; and the possible loss to taxpayers of part of the tax revenue paid by the privately owned Company prior to City acquisition of the System, and of a large part of the revenue heretofore received from Hetch Hetchy power operations and applied to the reduction of the tax rate.

ALTERNATIVE TO CHARTER AMENDMENT No. 1

The foregoing analysis of Charter Amendment No. 1 and Plan Nine would indicate that—should the charter amendment be adopted and the properties of the Company ultimately be acquired under condemnation proceedings—the taxpayers or the electric-rate payers of the City, singly or combined, probably would not receive from Hetch Hetchy power production and city-wide power distribution what the taxpaying group now receives from Hetch Hetchy power operations—approximately \$2,000,000 net per year.

The 1925 contract between the City and the Company, under which this revenue has been available to the taxpayers, has been declared illegal and the City has been ordered by the United States District Court to cease operations thereunder. Stay of the injunction has been postponed three times, the last postponement being to June 30, 1942. In granting the last stay the court advised the City that it would not entertain any further application for additional extension of time.

Therefore, if Charter Amendment No. 1 is voted down, other definite and forceful action is incumbent on the City, prior to June 30th next, if the current revenue of approximately \$2,000,000 annually is not to be lost and if an equivalent increase of about 25 cents in the tax rate is to be avoided.

One suggested course has been to petition Congress to amend the Raker Act so as to permit San Francisco to dispose of power, produced by the City's own investment and on the City's own land, in such manner as shall be determined by the City's legislative and administrative officials. Space does not permit a detailed discussion of the many and equitable reasons that the City can advance in its efforts to secure such amendment—the relatively small area and value of land granted by the Government to the City; the ten-fold repayment by the City to the Government in the form of roads, cash, and other land; the lack of any restriction, similar to that in the Raker Act, imposed by the Federal Government on its own operations, or on the municipal operations of any other community; etc.

No serious attempt has ever been made to amend the Raker Act to give

the City the freedom that other cities enjoy and that San Francisco should have. The 1925 agency contract for the disposal of Hetch Hetchy power was considered legal until the ruling of the Supreme Court in April, 1940. The District Court in interpreting the agency contract and the Raker Act, and the Secretary of the Interior, have heretofore suggested that if its terms are onerous to San Francisco, the City should seek to have it amended.

Despite various statements from Washington during the recent campaign indicating the improbability of any such amendment, it is extremely unlikely that any of the members of Congress have a true picture of the situation and of the equities in the Hetch Hetchy matter, all points of which are overwhelmingly in San Francisco's favor. An organized effort on the part of the City dealing solely with the matter of informing Congress and the Administration of the true facts in the case should result in a proper amendment to the Raker Act.

The City

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No. 1

November 3rd Ballot Measures

State Propositions,

No. 1 to 18

City Propositions,

No. 26 to 39

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"An incorporated non-partisan citizens' agency to study public business, cooperate with officials and specifically work for economy and efficiency in municipal affairs."

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STATE PROPOSITIONS

Proposition No. 1

PROHIBITING "HOT CARGO", "SECONDARY BOYCOTT"

(Referendum Measure)

This amendment of the State Labor Code was passed by the Legislature over the Governor's veto on June 5, 1941, but circulation of referendum petitions, largely by labor organizations, prevented it from becoming effective, pending voters' action at the coming election. The measure, if approved by the voters, will prohibit secondary boycotts either by employers' or employees' refusal to handle goods or perform services because of labor disputes involving other employers and employees. The measure will continue in effect for the duration of the national emergency declared by the President in the Proclamation of September 8, 1939, or during any period of war with any foreign power legally declared to exist.

As this is a regulatory measure and therefore not within this Bureau's field, its provisions and its probable effects are not analyzed in detail and commented on here.

Proposition No. 2

ANNUAL LEGISLATIVE SESSIONS AND BUDGETS

This proposition is a senate constitutional amendment which would substitute short annual sessions of the State Legislature for the existing biennial sessions of unlimited duration. The proposed yearly sessions would commence each year on the first Monday in March and continue for not more than sixty days. Annual budgets would replace biennial budgets. The Constitution now requires a regular Legislative session every two years, with a bill introduction period of not to exceed thirty days in January, and a recess of not less than thirty days in February.

Proponents of the measure state that rapid changes in conditions in this day and age necessitate annual sessions as it is not possible to foresee changes, trends and conditions two years in advance; and that it is difficult to plan State budgets two years in advance and forecast revenues and conditions with any degree of accuracy. Special sessions have been called by the Governor in almost every biennial period in the past 15 or 20 years.

The 60-day limit on legislative sessions, with a prohibition against exten-

sion, provides a too limited period for consideration of legislative acts in conjunction with and necessity for devising and passing on an annual State budget. In case of an emergency, the 60-day period would prove to be too short. Elimination of the existing 30-day recess following introduction of bills, taken in conjunction with the restriction of the session to 60 days, would seriously interfere with the public's chance to become fully informed on legislative acts and would restrict the public's chance to register on legislation.

Furthermore, under the present biennial system, extraordinary sessions may be called by the Governor for a specific purpose if emergencies developed relating to the budget or any other matter, and the session can be limited specifically to consideration of the emergency matter or to include other matters if so desired. Annual sessions would induce too frequent meddling with State laws and would add to confusion and uncertainty of constant changes by legislative action.

If this measure were approved by the voters, it would also make possible annual amendment of City and County charters heretofore restricted to two-year periods by virtue of the necessity for legislative approval of such amendments, which could hardly be considered an improvement.

Proposition No. 3

BASIC SCIENCE ACT

(Initiative Measure)

This proposition would require all persons applying to medical, dental, osteopathic or chiropractic boards for licenses to practice healing arts to pass an examination in basic sciences before receiving such licenses. The Act would create a board of five examiners appointed by the Governor. The five sciences required of all of the foregoing practitioners would include anatomy, physiology, biochemistry, bacteriology and pathology. Persons already licensed in the professions involved, and those treating sickness by prayer are specifically exempted from the provisions of this Act.

Under present procedure, applicants for licenses to practice must pass examinations given by the medical, dental, osteopathic or chiropractic examining boards who require applicants to pass examinations in the basic subjects relating to the respective professions.

As this is a regulatory measure and not a part of the Bureau's field of activity, a detailed analysis has not been made.

Proposition No. 4

PERSONAL INCOME TAX REPEAL

(Initiative Constitutional Amendment)

This initiative constitutional amendment would, if adopted, repeal the 1935 personal income tax act, thereby repealing all personal income taxes on persons, estates or personal trusts.

The Act would require all future income tax measures be approved by a majority of the voters after submission either by initiative petition or by two-thirds vote of all members of each house of the Legislature.

Heavy taxes now being levied and anticipated to be levied on personal incomes by the Federal Government, makes all other forms of personal income taxes undesirable during these times. The State is piling up one of the greatest surpluses in its history so that the need for the levy on personal incomes is not evident.

The measure would have been much more acceptable, however, if submission of future income tax levies to the voters for their approval had been omitted and the existing requirement of a two-thirds vote of both houses of the Legislature only, retained. It is not generally considered good governmental procedure either to "freeze" tax methods by restricting their imposition to a vote of the people, or by making it so difficult that it is next to impossible to invoke. In general, it can be safely stated that all initiative proposals should be examined with care, especially those dealing with tax matters.

Proposition No. 5

COMPENSATION OF LEGISLATURE INCREASED

This assembly constitutional amendment would, if adopted, provide for an increase in the salaries of the members of the State Legislature from \$100 to \$200 per month. The 40 senators and 80 assemblymen would increase costs by \$144,000 annually.

It is claimed that this measure would provide a more adequate compensation for legislators and more nearly in line with the amount of activity and time given to legislative matters on committees, special sessions and other interim tasks between the regular biennial sessions of the Legislature. It is also claimed that the increase would encourage legislators to serve on such committees and give more generously of their time to State affairs and to their duties as a legislator, the number of said duties having materially increased in these difficult times. It is also claimed by some that the increase

is necessary in order to attract the right type of man and secure his attention to legislative duties following his election.

On the other hand, there is always the danger that if the salary is made too attractive, it becomes the objective and goal of politicians seeking a lucrative full-time job. It is generally understood that the present California legislators' remuneration is among the highest in the 48 states. Unless Proposition No. 2 on this ballot is adopted by the voters, legislative sessions will continue biennially. The time actually spent in legislative sessions by the average legislator is approximately four or five months every two years.

Proposition No. 6

BOARD OF FORESTRY ESTABLISHED

This senate constitutional amendment would create a board of forestry, consisting of seven members appointed by the Governor with consent of the Senate to prepare plans for reducing losses by forest fires, insect pests and forest diseases, and to determine the most economic use of various wild lands, and to determine policy of the Division of Forestry. The board shall consist of one member chosen for practical knowledge and experience in each of the following: the redwood and pine lumber industry, general agriculture and use of water, livestock industry, and recreational phases of forest use. One of the members shall be a representative of the profession of forestry chosen from the members of the faculty of the Department of Forestry of the University of California, and one member shall be chosen at large. The terms of the members shall be seven years and removal will be by vote of two-thirds of each house of the Legislature.

The amendment provides for the appointment of a non-civil service chief forester as executive officer of the proposed Division of Forestry who may, with the approval of the Board and in accordance with civil service provisions, appoint such assistants, deputies and rangers as may be necessary.

This amendment attempts to provide a forestry board with some background or knowledge of the several major problems involved in the maintenance and direction of State forests and by longer and staggered terms of office, it is hoped to provide for continuity of policy.

The existing board now holds office at the pleasure of the Governor, with the result that membership generally has changed every four years with the change in Governors. This constant turnover has prevented the board from formulating constructive long-term plans and policies for the management of the California forest lands, some of which are among the most valuable timber lands in the country.

It is contended that all of the objectives of this measure could be secured through action by the Legislature with the exception of removing the State Forester from civil service status and the seven-year term of office for the board members; that removal of civil service protection for the State Forester would lessen continuity of policy and create a situation where political control could be substituted; and would provide the opportunity for exploitation by special interests.

Proposition No. 7

TAXATION OF INSURANCE COMPANIES

This assembly constitutional amendment would rescind as of December 31, 1942, the existing section of the Constitution providing for taxation of insurance companies on business done after that date, and this insurance tax law would be substituted. It would revise downwards the 2.60 per cent tax rate on California premiums, commencing with 2.55 per cent per annum in 1943 and decreasing each year at the rate of .05 per cent per year until 1947, when the rate would remain at 2.35 per cent per year thereafter. This Act would permit deduction of real estate taxes paid by insurance companies at a percentage of the full amount, ranging from 75 per cent in 1943 down to 15 per cent in 1946. The Legislature is given the right to revise the tax rate by a two-thirds vote.

The object of the real estate tax offset was to encourage insurance companies to invest in office buildings for their own use in this State. There was no intention to subsidize properties acquired by foreclosure as such properties under the law had to be disposed of within five years. During the depression, however, many insurance companies acquired considerable real estate holdings through foreclosures. In order to permit of an orderly disposal of such property and conservation of values, the five-year limit was relaxed. By virtue of this action, the real estate tax offset against State taxes became an important factor resulting in a shrinkage of State collections from this source.

It is contended that this measure will tend to do away with the differential between companies with large real estate holdings and those without such holdings without affecting the amount of revenue which will be collected by the State.

It has also been contended that the measure would work a hardship on such insurance companies which voluntarily acquired large holdings of real estate that are unsalable at the present time.

The measure was drafted by the insurance commissioner with the approval of the Board of Equalization, the Attorney General, and the State Department of Finance.

Proposition No. 8

USE OF FISH AND GAME FUNDS RESTRICTED

This senate constitutional amendment would require all funds collected by the Fish and Game Commission from all sources to be used solely by the Fish and Game Commission for the propagation of fish and game, law enforcement and other legitimate expenses of the Commission.

The measure was proposed, according to sponsors, because it has been the practice of the State to borrow money from funds of various agencies of the State coupled with the uncertainties of repayment. Its sponsors, the sportsmen's clubs and associations, claim temporary borrowing by other State agencies will not be affected as the measure is aimed at permanent appropriation of these funds.

The Commission secures all money expended by it from hunting and fishing licenses, fines for game law violations and commercial fishing licenses. These licenses are collected specifically for the maintenance of the Fish and Game Commission and its functions.

Proponents claim that even temporary interruptions in the Commission's long-term conservation program might do great harm to the conservation program, as the situation is critical in most parts of the State. Reduction in fish and game would affect more than merely the recreation of a half million citizens, as numerous businesses, such as hotels, resorts, restaurants and gas service stations are dependent upon hunting and fishing for considerable revenue.

The proposed amendment, it is claimed, would tend to break down centralized budget control of departmental expenditures, setting a precedent, which if adopted for other departments, would create a series of semi-independent governmental units over which little or no control could be exercised.

Proposition No. 9

**LEGISLATURE AUTHORIZED TO CHANGE SALARIES OF
FOUR STATE OFFICERS DURING TERM OF OFFICE**

This assembly constitutional amendment would permit the State Legislature to increase or decrease the salaries of the Superintendent of Public Instruction, State Treasurer, State Controller, and Secretary of State during their terms of office.

The argument is advanced that the salaries provided for these officials in

the Constitution are out of date and considerably less than the salaries of other State officials with no greater responsibilities; and that rapidly changing conditions often require adjustments to meet such changes which could not await an amendment to the Constitution. This amendment would permit the Legislature to adjust the compensations of these four State officers as warranted by conditions, rather than to be frozen by law as at present.

On the other hand, the argument is advanced that these officials are important and powerful figures in the State Government with some personal following, and the State Legislature would be under pressure to provide advances in salaries which would be difficult to resist. An amendment to the Constitution could be submitted, which would revise these rates to conform with salaries paid other State officials here and elsewhere.

Proposition No. 10

REORGANIZATION OF BUILDING AND LOAN ASSOCIATIONS

(Initiative Measure)

This initiative measure provides for an addition to the existing building and loan association act, which would authorize plans for readjustment and reorganization of building and loan associations, defining the classes of associations affected. The act would require that such plans secure approval of the Superior Court and specify procedure and types of securities that may be issued. The act would also specify the rights and duties of the Building and Loan Commissioner and would permit the Legislature to amend or repeal the act.

As this is a regulatory measure and not within the Bureau's sphere of activity, no detailed analysis has been made and comments are omitted here.

Proposition No. 11

BOXING AND WRESTLING MATCHES REGULATED

A senate constitutional amendment that would provide 15 rounds for championship boxing matches, and that no tax would be levied on admissions to boxing or wrestling matches wherein net proceeds go exclusively to the benefit of any American Legion Post or other recognized organization of United States war veterans.

As this is a regulatory measure and therefore not within this Bureau's field, its provisions and its probable effects are not analyzed in detail and commented on here.

Proposition No. 12

**SCHOOL DISTRICTS TO BE GIVEN PERMISSION TO
ACQUIRE STOCK IN MUTUAL WATER COMPANIES**

This assembly constitutional amendment would add school districts to existing Article IV, Section 31c of the Constitution, thereby making it possible for school districts to acquire capital stock in any mutual water company or corporation, as now permitted cities of the fifth and sixth class. The act would permit school districts as well as the foregoing cities to acquire stock in a mutual water company, furnishing water not only for public, municipal or school purposes but for the use of the inhabitants of the school district.

The proponents of the measure claim there are school districts (southern California) which are handicapped by not being permitted to own stock in a mutual water supply works and are put to considerable additional expense.

However, the measure, as submitted to the voters, would permit any school district to become stockholders in a venture to supply water not only for school purposes but also for the use of the inhabitants of the school district. There are no limitations imposed as to size of investment, scope of activities nor limitation on the liability to be incurred. If this authority is necessary in one or two instances, unlimited power should not be granted all districts without restraint. It seems more logical that if it is necessary to extend this right to school districts it should be made subject to legislative approval, or to a vote of the district inhabitants.

Proposition No. 13

NEW EQUALIZATION DISTRICT TO BE CREATED

This senate constitutional amendment would redivide the State into five equalization districts with a member elected from each to the State Board of Equalization. The new district would be created by separating Los Angeles County from the rest of the southern district and making the fifth district out of San Bernardino, Riverside, Orange, San Diego and Imperial Counties. The counties of Santa Barbara and Ventura, now part of the southern and fourth district, would be attached to the first district, composed of San Francisco and adjacent counties. The amendment would authorize the State Board of Equalization to increase or lower the entire assessment roll of any county.

Under present constitutional provisions, the State Board of Equalization is composed of four members elected from four equalization districts with the Controller serving as an ex-officio member. Under the proposed amendment, the Controller would be eliminated from the Board.

Proposition No. 14

RATES OF INTEREST ON LOANS AND JUDGMENTS

The only change in existing statutes made by this assembly constitutional amendment would be the provision that the rate of interest on any judgment rendered in the courts of this State would be 5 per cent instead of the existing 7 per cent charge. This step appears to be in conformity with current interest rates paid on loans, by savings banks, and on bonds.

This matter is not sufficiently important to be the subject of a constitutional amendment and should be handled by blanket authority being granted the Legislature to fix interest rates.

Proposition No. 15

SUPREME AND APPELLATE COURT PROCEDURE

This amendment to the Constitution was intended as an amendment to Section 4 of Article VI, dealing with the jurisdiction of the Supreme and Appellate Courts and to add Sections 4d and 5a, the object of which was to expedite appeals.

The authors of the amendment and the State Bar Association, sponsors of the proposal, are asking the electorate to vote "no" on this measure because of an error inadvertently made in drafting the measure. It is claimed that the use of the word "re-transfer" was inadvertently used instead of the word "transfer," raising doubts in the minds of the State Bar and the authors as to whether it does not take from the Supreme Court existing power to transfer cases pending before it to the District Courts of Appeal for decision. As this was not the intention of the authors of the measure, and it would cause delay instead of expediting appeals, the voters have been requested to vote no on this measure.

Proposition No. 16

**PROCEDURE FOR JUDICIAL REVIEW OF DECISIONS
BY ADMINISTRATIVE BODIES**

This senate constitutional amendment would grant the Legislature power to provide that a finding of fact made by any administrative officer or body shall not be set aside by any court, if there is substantial evidence to support it. The Legislature is vested with plenary (unlimited) power, unlimited by any provision of the Constitution to prescribe the procedures by which such

decisions of administrative officers and bodies may be reviewed by the courts and the scope or extent of the review by the courts; and that for these purposes the Legislature is granted plenary power to enlarge or restrict the jurisdiction of any court of the State or determine whether or not a judicial review of an administrative decision may be reviewed in a higher court and the manner and the extent of such review.

The amendment states that cities may, by charter or by ordinance provide that administrative decisions in respect to municipal affairs shall be final and no court of this State shall have power to set aside such finding of fact if there is substantial evidence to support it.

This has become a highly controversial measure. The measure was placed on the ballot for the purpose of overcoming a difficult situation concerning judicial review of administrative decisions brought about by a ruling of the State Supreme Court. The court held that a writ of review (*certiorari*) only applied to judicial and did not apply to administrative bodies.

It was under these circumstances that this measure was drafted for the purpose of correcting this condition. It is claimed by proponents that if this act is passed the courts will have power to set aside any administrative decision not only for error of law or procedure but in every case where any finding of fact is not supported by substantial evidence, provided, of course, the Legislature enacts the necessary legislation.

Later, the Supreme Court by a close decision held that reviews of decisions of administrative Boards and Commissions would be permissible under a writ of *mandamus*. This, however, came after the measure was already on the ballot. The latter decision is held by some attorneys to be an uncertain basis upon which to allow the matter to rest, as there is always the possibility of a future reversal.

Opponents claim that the unlimited power granted the Legislature would make it possible for the Legislature to provide that decisions of administrative agencies were not subject to any judicial review. They also claim that the power of the courts to determine the facts in the case is as important as a review of the law affected by the decision. The claim is also made that by granting authority for local use, it is possible to make decisions of local administrative boards, commissions and officers final, if supported substantially by the facts and that such power in the hands of local agencies is not warranted or justified, inasmuch as many such agencies affect the life and property of the inhabitants of the City in which the agency was created.

Proposition Number 16 is opposed by the State Bar of California, following nearly four months of study by the Board of Governors.

Proposition No. 17

DEPOSIT OF STATE FUNDS

This senate constitutional amendment would authorize the Legislature to provide that any money belonging to the State shall be held in trust by the State Treasury prior to its deposit in the State Treasury by the State agency or department to whom such funds belong. The act would permit the State Treasurer to deposit in banks any money held in trust for such State agency in the same manner as other funds in the State Treasury.

The effect of this measure would be to require State agencies to turn over funds collected during the month to the State Treasurer. The act would affect only funds from State agencies which now retain custody under the law. Such funds placed in trust with the State Treasurer can be drawn upon by disbursing officers' checks against the Treasury account, following procedure adopted by the Federal Government.

This amendment would enable the State Treasurer to deposit funds in interest bearing accounts in the same manner as money in the State treasury may be deposited in banks.

Proposition No. 18

REAPPORTIONMENT COMMISSION

This assembly constitutional amendment would replace the Surveyor General by the State Controller on the Reapportionment Commission, the other members of which are: the Lieutenant Governor, as Chairman, the Attorney General, Secretary of State, and Superintendent of Public Instruction. This is the only change provided by the amendment, and is due to the fact that the office of Surveyor General has been abolished.

The duties of the Reapportionment Commission are to provide for reapportionment of senate and assembly districts in accordance with each United States census, and the Reapportionment Commission is authorized and directed to act in the event of failure of the Legislature to make such adjustment and reapportionment at its first regular session following each decennial Federal census.

CITY PROPOSITIONS

Proposition No. 26

MARKET STREET RAILWAY PURCHASE PROPOSAL

Proposition No. 26 would authorize the Supervisors to issue \$7,950,000 in revenue bonds for the purchase of the Market Street Railway system. The measure would add a new section to the charter, which would provide for the consolidation and operation of the Market Street Railway properties with the lines of the Municipal Railway.

General Terms of Charter Amendment

This charter amendment, among other things, would provide that revenue bonds shall be issued; that such bonds shall not be liens or obligations of the City and County; that revenue from funds raised by taxation shall not be used for any purpose in connection with the combined railway system, with the exception of principal and interest on general obligation bonds issued in connection with the Municipal Railway, in the event revenues are not available to meet such charges; that the maximum term of the bonds shall be 15 years; that the maximum rate of interest shall be 5 per cent per annum; and that the City will be required to maintain rates of fare adequate to yield annual revenues sufficient to cover the cost of (a) interest and redemption on outstanding Municipal Railway general obligation bonds; (b) principal and interest on all revenue bonds outstanding; (c) operating expenses of the system; (d) maintenance and repairs; (e) cost of depreciation, reconstruction, replacements and improvements of the system; and (f) a surplus operating fund in accordance with charter provisions, and that such surplus operating fund in any fiscal year shall not exceed 25 per cent of the total expenditures of the Municipal Railway system for operation, repairs and maintenance for the preceding fiscal year.

A provision of the proposed charter amendment, which was a last minute addition, would vest in the Board of Supervisors full power and authority to sell or otherwise dispose of the revenue bonds authorized by this charter amendment; to enter into any agreements necessary or advisable to insure sale of these bonds; and to sell such bonds upon such terms and conditions as the Board of Supervisors deems proper either at public or private sale with such advertising thereof as the Supervisors may deem proper.

Terms and Conditions of Sale of Bonds

Following the submission of this charter amendment to the voters, the Supervisors on September 14th adopted a resolution directing the clerk of the Board to advertise for bids to be submitted on October 13, 1942 for the

purchase of \$7,950,000 in revenue bonds. This call for bids omitted any reference to the terms and conditions of the bond issue other than those fixed by the charter amendment, namely, the maximum terms of the bonds to be 15-year serial or term bonds, or a combination of each.

This section of the proposed amendment was opposed by this Bureau, the San Francisco Municipal Conference, and various experts in the municipal bond field.

Protests were directed not only against the provision of the charter amendment granting the Supervisors unusual latitude in the sale of bonds, but also at the proposed pre-election sale without terms or specifications. Due to this opposition the pre-election sale on October 13th was abandoned. The Mayor vetoed the resolution calling for pre-election bids, which veto was unanimously upheld by the Supervisors on September 28th. At the request of the San Francisco Municipal Conference, the Supervisors adopted a resolution on October 5th committing the Board to sell all the bonds only after adequate advertising at a public sale and on a basis whereby all prospective bidders would submit bids on the same proposal or proposals, which shall be developed by the City in consultation with experts in the investment banking field, and only after necessary engineering, fiscal, and legal advice. The resolution is a statement of intentions and is a moral if not a legally binding commitment.

Proposals to Acquire Market Street Railway Properties Not New

Proposals to acquire the operative properties of the Market Street Railway are not of recent origin, having been officially considered from time to time and submitted to the voters at two previous elections. An initiative ordinance providing for the purchase of the Company's properties in November, 1925 for \$36,000,000 was voted down by the electorate. Again in the special election of September 27, 1938 a general obligation bond issue for the purchase and rehabilitation of the Market Street Railway and its consolidation with the lines of the Municipal Railway, totalling \$24,480,000, was also defeated by the voters. The price fixed under this proposal was not to exceed \$12,500,000, and the balance, \$11,980,000 was the estimated cost of partial rehabilitation, purchase of new equipment, and coordination of the system with the Municipal Railway.

Acquisition of the system was revived last spring due to the effect of the war emergency and the rubber stringency on street railway traffic. A series of conferences were called by the Mayor between representatives of the Market Street Railway and City officials, including also the Manager of Utilities and the City Attorney for a discussion of plans for joint operation with the Municipal Railway and acquisition of the Market Street Railway. These conferences were concluded by the Utilities Commission giving approval to tentative plans providing for the purchase of the properties either

by seven annual installments totalling payments of \$11,534,415 (including principal, interest, taxes and certain operating costs) or by an \$8,350,000 general obligation bond issue.

The so-called lease purchase tentative agreement would have provided for purchase out of the revenues of the two systems operated jointly over a period of seven years. Under a universal seven-cent fare, the installment price tentatively agreed upon included \$7,621,000 as the purchase price of the Market Street Railway properties, \$1,189,415 interest cost, \$1,505,000 in taxes payable to the City and County of San Francisco, \$729,000 due on bus purchase contracts, \$350,000 office expenses, and \$140,000 for insurance. In order to carry out the lease purchase agreement, a charter amendment was proposed by the Mayor on August 3rd, which would have authorized the Public Utilities Commission, with the approval of the Board of Supervisors, to enter into a contract with the Market Street Railway Company for the Company's properties under conditions that would permit application of lease payments towards the purchase price of the properties.

The lease purchase plan was abandoned after weeks of hearings, study and discussion by Committees of the Board of Supervisors, and, following a series of conferences between the Supervisors and representatives of the Market Street Railway Company, the present ballot proposal was evolved. One of the principal objections raised by several Supervisors was the price to be paid for the properties. At a series of conferences called between the Mayor, Supervisors and representatives of the Company, the Supervisors attempted to lower the price of \$8,350,000, for which Company officials were holding out, by \$625,000, the amount of the City Engineer's estimate of the cost of the Company's street paving obligations under the terms of the Company's franchises. This estimate of \$625,000, upon which the Supervisors urged a lower figure, brought the Supervisors' offer down to \$7,725,000. A final compromise was reached by Company officials and the Supervisors for \$7,950,000, the amount provided in the present revenue bond proposal on the ballot. Revenue bond financing was provided at the insistence of Company representatives, as such bonds require only a majority vote for approval rather than the two-thirds majority vote required for general obligation bonds.

Valuation of Properties of the Market Street Railway Company

Several appraisals of the properties of the Market Street Railway Company were available before the Supervisors came to terms with the Company on the \$7,950,000 purchase price. The Supervisors had requested and received an appraisal in a report submitted by the Controller on August 27th, which was followed by an independent report by the engineers of the California Railroad Commission.

The Controller's report indicated that the cost less accrued depreciation as of December 31, 1942 would amount to \$8,764,923 for the operative properties excluding materials and supplies, and \$9,014,923 with materials and supplies included.

The Railroad Commission's report indicated that the reproduction cost new less depreciation of the properties was \$13,644,075 and that a fair purchase price based upon capitalizing earnings would range between \$7,900,000 and \$8,600,000.

Another report submitted by the Manager of Utilities in June had appraised the properties at a total of \$9,957,000 as of December 31, 1942. The Company also reported on the value of the properties indicating that it was their belief that the properties should be appraised at a figure of \$17,237,202.

Estimates of Operating Results With Seven-Cent Fare

Estimates of the operating results of the combined Municipal and Market Street Railway systems, prepared by the City and County Controller and others prepared by the Bureau, based upon the establishment of a universal seven-cent fare, indicate the probability of sufficient revenue to provide for retirement of the bonds and pay all expenses including some provision for depreciation and deferred maintenance.

The Controller's report of August 27th set up two estimates—estimates "A" and "B", which might be termed post-war and war-period estimates. Estimate "B" indicated that operating revenues would total \$13,790,367 during the period of the war emergency. This figure was based upon the first six months of 1942, in which the effect of wartime restrictions on traffic had become evident. After deducting expenses with the exception of bond interest and redemption on the proposed revenue bond issue, and provision for depreciation and deferred maintenance, the net income amounted to \$2,803,292.

Assuming the bonds could be sold on a 3 per cent annual interest basis, the total first year's interest and redemption charges for the 15-year bonds would amount to \$768,500. The remaining \$2,034,792 would be available for either retirement of additional debt or rehabilitation and improvements after the war, or both.

The second estimate—estimate "A", or, what might be termed post-war operating results, was based on the fiscal year 1941-42, thereby giving some weight to operating conditions before and after war was declared on December 7, 1941. Both this estimate and the preceding estimate "B", were predicated, according to the Controller's report, upon a universal seven-cent fare, universal transfers, and operation under Municipal Railway operating costs by the Public Utilities Commission. According to tabulations submitted by the Manager of Utilities earlier in the year in connection with the lease-

purchase proposal, the estimated cost per car hour was \$3.67, and \$2.33 per bus hour.

Estimated operating revenues of \$11,822,621, estimate "A", or the post-war period estimate the Controller stated in his August 27th report, were based upon 2,880,000 vehicle hours of operation. Net income, after all deductions, exclusive of proposed purchase bond interest and redemption charges, depreciation, rehabilitation and deferred maintenance, amounted to \$1,811,000. Assuming a 3 per cent annual rate and 15-year bonds, a deduction of \$768,500 for debt charges on purchase bonds would leave \$1,042,500. By using 1941-42 and thereby including six months' experience, from January to June inclusive, under wartime conditions, the estimate of what might be called post-war conditions may be somewhat high.

The Bureau's estimate of possible operating results during the period of the war emergency were first prepared in connection with a lease-purchase plan in June and indicated that minimum operating revenues under a seven-cent fare, universal transfer, and under municipal operating conditions, would amount to approximately \$13,200,000 annually. After deducting operating expenses and other charges exclusive of depreciation and debt charges for purchase of bonds, the Bureau's estimate indicated a net income of \$2,856,000. The second estimate, which might be considered as applicable to conditions following the emergency, indicated a possible operating revenue based on a seven-cent fare and universal transfers of \$11,340,000. After deducting operating expenses and other charges exclusive of purchase bond, interest and redemption and depreciation, the balance remaining was estimated to be \$1,868,000.

A deduction of \$768,500 for purchase bond debt charges, assuming a 3 per cent interest rate and a 15-year final maturity date, would leave an estimated \$1,100,000 available for depreciation, rehabilitation and coordination of the combined systems. The Manager of Utilities indicated during discussions of the purchase proposal that \$750,000 would be required for depreciation.

The preceding estimates, both the Controller's and the Bureau's, of possible operating conditions during the war emergency probably can be considered minimum estimates. By whatever amount these estimates are exceeded it will be available for the necessary replacement and rehabilitation program which can be carried out after the war.

Conclusion

The price which will be paid for the properties of the Market Street Railway Company in the event this proposition carries, is in line with the lowest of the appraisals secured by the Supervisors.

Prospective revenues on the seven-cent fare basis, used in all official statements and estimates issued in connection with this and previous lease-purchase proposals, will be sufficient to provide for operating costs, bonded debt charges, and other necessary expenses.

The immediate results of the consolidation would be universal transfers, the possible utilization of existing trackage including better use of four tracks on Market Street, and more complete utilization of available equipment or rolling stock. Idle street cars, now out of service, owned by the Market Street Railway, would be made serviceable and placed in service to aid congestion on the Municipal Railway. A statement made by the Manager of Utilities to the Supervisors, when questioned concerning abandonment of Market Street Railway lines during a recent hearing on charter amendment No. 38, stated that there were few major changes or abandonments of service planned for the near future.

Reports on the probable results of joint operation of the two systems by the City were submitted prior to the previous purchase proposition on the special election ballot of September 27, 1938, which may offer some guide as to future possibilities. The Manager of Utilities estimated that partial rehabilitation, purchase of new equipment and coordination of the Market Street Railway system and that of the Municipal Railway would cost an estimated \$11,980,000 in addition to the purchase price. This partial rehabilitation plan, which was placed on the ballot, represented a compromise between the Board of Supervisors and the Public Utilities Commission. The original proposal of the Manager of Utilities called for an estimated \$26,500,000 for complete rehabilitation and coordination of the two systems.

Much of the equipment of both the Market Street and the Municipal systems is far from new and if, as anticipated, heavy duty service will be demanded of existing equipment during the war emergency with a minimum of replacement and maintenance, there will be an accumulation of depreciation and deferred maintenance charges that eventually would have to be provided for. In order to provide funds from revenues for essential improvements, a seven-cent fare would be necessary. From a long range point of view, the \$7,950,000 revenue bond proposal on the November 3rd ballot can be considered as representing a reasonable down payment and the only way the City can eventually acquire a complete and modern transportation system.

It is the general consensus that unification is desirable and the only way the City can solve the transportation problem; that the price appears reasonable in view of the valuations placed on the property by various appraisals; and that the unified system can be successfully operated by the City on a seven-cent fare.

Proposition No. 27

ABOLISHING INCUMBENTS' PREFERENCE ON BALLOT

This proposed amendment to Section 175 of the charter would abolish the preferential position on the ballot now enjoyed by incumbents in City and County offices and was placed on the ballot by the Supervisors several months ago. It is the result of the campaign slogan "Skip the First Five" in the Supervisorial election of 1941.

The measure provides for the rotation of the candidates' names on the ballot by assembly districts, the name of the candidate highest on the list in one assembly district to be placed last in the next district with the order of the other candidates remaining unchanged. In the event a number of candidates for any one office exceeds the number of assembly districts, a formula has been developed to provide for a mathematical rotation of names.

It is generally believed—and election results in the past seem to bear this out—that the preferential position at the top of the ballot gave the incumbents an enormous advantage over other candidates, and that in addition to an incumbent's other advantages, was very difficult to overcome.

Proposition No. 28

FIRE AND POLICE SALARY INCREASES

Two propositions have been combined in this ballot measure providing for the amendment of Sections 35 and 36 of the charter, which would, if adopted, increase Police and Fire Department salaries respectively an average of approximately \$25 per month and the annual budget approximately \$730,000. The increases incorporated in this ballot measure were worked out over a period of several months by the San Francisco Municipal Conference in cooperation with representatives from the Fire and Police Departments. The San Francisco Municipal Conference is composed of representatives from the following nine organizations: Apartment House Association of San Francisco, Inc., Building Owners & Managers Association, California Northern Hotel Association, Down Town Association, Real Estate Board, Retail Merchants Association, San Francisco Chamber of Commerce, San Francisco Junior Chamber of Commerce and the Retail Dry Goods Association, with the San Francisco Bureau of Governmental Research acting as consultant.

The new rates for firemen and policemen, if adopted, would be on a graduated scale starting with the existing \$200 a month rate. It was the belief of the Conference and those who have had some experience with Fire and

Police Department personnel problems that a graduated scale increasing over a period of years is desirable and would give the personnel of these departments something to look forward to and act as an incentive to improvement. The new rates will make the Police and Fire Departments more attractive to the present personnel and probably prevent loss of manpower to war industries offering high rates of pay. The new scale will also make it easier to continue to attract a high type of recruit.

The salary range of both firemen and policemen provided by the amendment is as follows: \$2,400 for the first to the third year of service inclusive; \$2,520 for the fourth year; \$2,580 for the fifth year; \$2,640 for the sixth year; and \$2,700 for the seventh year and each year of service thereafter. Each of the higher ranking officers of the two departments, up to and including the chiefs, will receive an additional \$25 per month.

Present salaries, incorporated in existing charter provisions, were adopted in 1924. Rising costs of living during recent months, taken in conjunction with the competition of high wages in war industries, and increases granted other City employees made some salary adjustment inevitable. The men requested a flat over-all increase of 15 per cent, which was abandoned for the compromise developed by the Municipal Conference. Failure to adopt the measure at this time would postpone possible change until 1945.

Proposition No. 29

AUTHORIZING PAYMENT OF TEACHERS IN MONTHLY INSTALLMENTS

This amendment to Section 135 of the charter was prepared by the Controller, the City Attorney and the attorney for the Board of Education, and would authorize payment of teachers' annual compensations in twelve monthly installments instead of the nine or ten annual payments made necessary by existing statutes.

The measure also provides that in any case where a teacher is paid an amount greater than the amount earned, the excess shall be refunded within thirty days and the employee shall not be paid any of said employee's retirement accumulations or credits until such refund has been made.

It was stated in the presentation made to the Supervisors, when the measure was being considered for submission to the voters, that the present plan of paying the teachers in nine or ten equal payments during the year will be a hardship under the recent Federal regulations governing limitation of credit, and that without this amendment many teachers might be forced to deal with loan agencies to finance their affairs during the summer vacation period when they do not receive any salary under present regulations.

Proposition No. 30

FOUR-YEAR TERM FOR SUPERINTENDENT OF SCHOOLS

This amendment to Section 136 of the charter would provide for a four-year term of office for the Superintendent of Schools, but exempting the incumbent Superintendent who shall continue to serve at the pleasure of the Board, as provided by the existing charter provision. The measure, as amended by the Supervisors, fixed the salary of the Superintendent at \$10,000 per year unless an increase in salary shall be recommended by the Board of Education and approved by the Supervisors.

Removal of the Superintendent prior to the expiration of his term of office for misconduct or incompetency would require filing charges in writing, signed by at least two members of the Board of Education. The Superintendent shall be notified within five days after charges have been filed and given a copy of said charges. The Board of Education may remove a Superintendent only after a public hearing of the charges by a two-thirds vote of all the members.

The measure would provide for divided authority, which is contrary to the general principles of the charter centralizing responsibility for a department in a single administrative board or individual.

The precedent that this ballot measure would establish might be used as the basis for extension to other City and County departments, such as Police, Fire, Recreation, Parks, Utilities, etc.

Proponents of the measure claim that the degree of independence given the Superintendent by this measure would attract competent educators who have made records and established themselves elsewhere, by according them some degree of security from political changes for four years, at least; and that if the Superintendent were not so dependent on the Board for his job, as at present, he would act more vigorously in many matters than now.

Proposition No. 31

HEALTH SERVICE SYSTEM EMPLOYEES UNDER CIVIL SERVICE

This proposition would amend Section 172.1 of the charter by providing for the inclusion of the administrative personnel of the municipal employees' health service system in the City's civil service system. The measure is supported by the Federation of Municipal Employees and opposed by the Council of Municipal Employees of San Francisco, another group of Civil Service employees.

The charter amendment, setting up the Health Service System for municipal employees, was adopted November, 1940, and provides for medical care and attention for approximately 10,000 municipal employees of the City's civil service system at the expense of the City employees. The original measure and the current proposal amending Section 172.1 of the charter specifically provides that the City shall be exempt from all costs or expense of any kind or character, and shall not appropriate or contribute funds in any manner or for any purpose. Twelve employees have been employed since the system was established to administer the affairs under the direction of a board consisting of nine members elected by members of the system.

The measure was proposed by the Health Service Board. The sponsors of the measure claim that employees of the Health Service System have been selected from the civil service list by the administrative board elected by the employee-members of the Health Service System.

Those opposing the measure argue that some of the employees were selected for reasons other than their standing on the civil service list and also that from a taxpayer's standpoint it might be considered a step towards placing these employees on the City payroll.

Proposition No. 32

SALVAGE CORPS

The present force of 27 employees operating the Underwriters' Fire Patrol would be taken over by the City if this charter amendment is adopted. The Board of Fire Underwriters, which has operated this salvage corps for a great many years, has given notice that such service is to be discontinued.

This organization attends all fires in the designated high value business districts of the City and provides protection for merchandise and other property against loss and damage.

Under this ballot measure the existing 27 employees would be "blanketed" in the civil service system and assigned to the Fire Department. The estimated cost to the City would be approximately \$65,000 per year.

It is also understood that the Board of Fire Underwriters has entered into an agreement to turn over to the City for the payment of \$1.00 all trucks, tarpaulins and other salvage equipment owned by the Board, exclusive of real estate and buildings now used as headquarters for the service.

The Board of Fire Underwriters also has, in a letter to the Supervisors, stated that they would reduce insurance premiums to the amount of the annual cost of the Underwriters' patrol.

The City would receive in return for assuming the cost of this salvage service a trained personnel and necessary equipment. The cost of the service would be spread over the whole City instead of being assumed by those carrying insurance policies. If the service is discontinued, as the Board of Underwriters has stated it would be, the City may be forced to substitute some service to replace it. The argument has been advanced that the service is primarily to the advantage of the insurance companies and the insured, and that the benefit to the taxpayers from the assumption of the service would not be equal to the cost.

The Board of Fire Underwriters has established the policy of gradually dropping or disassociating itself from the various fire patrols in other cities as well as in San Francisco.

Proposition No. 33

LEAVES OF ABSENCE AND CONTINUOUS SERVICE

This proposed amendment to Section 153 of the charter would provide for an expansion of existing provisions dealing with leaves of absence from the City and County service for military service. As the present provisions are limited to military service, it was necessary to enlarge these to provide for service in the Merchant Marine, which was requested by the United States Navy. It would provide that the Supervisors by a three-fourths vote may, on the recommendation of the Civil Service Commission, provide by ordinance that leaves of absence for City employees during time of war or peace shall be granted for other service directly connected with the prosecution of the war or national defense or preparedness.

The measure also would amend Section 161 of the charter by providing maintenance of continuous service status in the retirement system by all those absent on military leaves. Under the terms of this amendment the absentees shall be allowed to contribute to the retirement system while on said leave in the same manner and amounts they would have contributed if they had remained in the position they occupied when leave was granted. This contribution shall be matched by the City and County in accordance with retirement system provisions. If the retirement system members' base pay in the service shall be less than \$100 per month, the City shall in lieu of contributions from the member, contribute both the member's and the City's contribution to the retirement system.

The provision of the proposed amendment to Section 153 of the charter dealing with leaves of absence other than military service or service in the Merchant Marine was questioned by representatives of this Bureau during its consideration in the Board of Supervisors on September 15th, on the

grounds of being too broad and open to possible abuse. The point of view of the Civil Service Commission, which drafted the measure, was that possible future requests by the United States Government to municipalities for personnel to aid in the war effort other than the armed forces or Merchant Marine would make this provision necessary and that the three-fourths vote of the Supervisors, taken in conjunction with a Civil Service Commission recommendation, was a sufficient safeguard against abuse.

Proposition No. 34

STANDARDIZATION OF COMPENSATIONS

The purpose of this measure is to clarify and revise existing salary standardization procedure set up in Section 151 of the charter. The amendment is a compromise measure that was submitted in its original form by a representative of the San Francisco Municipal Conference. The suggested amendment of the salary standardization provisions of the charter came as a compromise following the suit contesting the legality of pay increases granted Municipal carmen and certain other groups of City employees during preparation of the 1942-43 annual City and County budget in May of this year.

The amendment would provide that the Civil Service Commission shall be granted \$12,500 for the survey and adoption of a new schedule of compensations every five years. It is the hope of the sponsors of this measure that with this provision it would not be possible to postpone salary reductions or increases indefinitely by failure to order such surveys or appropriate sufficient funds to the Civil Service Commission.

The Civil Service Commission would be required to make complete reports as to the salaries paid in private employment, which must be submitted to the Supervisors along with salary recommendations. The Commission would also be required to set forth in its official records all of the data obtained in the salary survey, and an order making its findings as to what is the generally prevailing rate of pay for each class of City employment. The Commission is directed to recommend a rate of pay for each such classification in accordance with its findings and data.

The proposed schedules of compensation recommended by the Civil Service Commission shall be transmitted to the Board of Supervisors together with a summary of the data secured by the Civil Service Commission. The proposed schedules and a comparison with existing rates must be published at least once a week for two weeks prior to being considered by the Board of Supervisors who may amend or reject the schedules proposed by the Civil Service Commission. Before making any amendment to this schedule, the

Board of Supervisors must transmit to the Commission for review and analysis such material the Board considered as warranting such amendment, and the Commission shall report back to the Board together with a report on the cost of such changes.

It is hoped that this provision will make it easier to review the action of the Board of Supervisors in fixing salaries as it will require the Supervisors to furnish a written record to the Civil Service Commission showing what data the Board of Supervisors considered as the basis for making any increase in the salaries proposed by the Civil Service Commission.

Under existing provisions of the charter, the Supervisors enacted salary standardization and adjustments of the salary schedule on a piecemeal basis. The Civil Service Commission sent its recommendations to the Supervisors without supporting data and kept an incomplete record of its own findings. Under this interpretation of the standardization provisions some City employees were given better treatment than others. It also was difficult for citizens to know what was happening or to protest injustices to the employees or excessive rates not justified by the facts.

Proposition No. 35

LIMITED TENURE APPOINTMENTS

Proposition No. 35 would add Section 145.1 to the charter, which would, in time of war, authorize the Civil Service Commission to qualify applicants to civil service positions through informal and non-competitive tests in the event eligibles are not available for appointment under the regularly established civil service examination procedure. Appointments made under the provisions of this section would continue only until lists of eligibles were established through the regular examination procedure but in no event to exceed six months after hostilities cease. The applicants who qualify for limited tenure appointments would be appointed in the order in which applications were filed, but would receive no credit in examinations for permanent employment. Limited tenure appointments could be terminated by the appointing officer at any time for lack of work or funds or for good cause with approval of the Civil Service Commission.

The Civil Service Commission, sponsors of the measure, contend that it is necessary in order to prevent the induction into the City's permanent employee system a less qualified and able employee than would be available in normal times. The Commission believes that in order to prevent the lowering of the City's high personnel standards it is necessary to make wartime temporary appointments, thus avoiding "freezing" current appointees into the civil service system permanently.

Proposition No. 36

CIVIL SERVICE STATUS TO BE EXTENDED TO MUSEUMS

This measure would amend Sections 50 and 51 of the charter by providing that all employments of the California Palace of the Legion of Honor and the M. H. deYoung Memorial Museum, exclusive of directors, curators and secretaries, shall be brought under the civil service system of the City and County. Incumbents continuously employed for at least one year would be "blanketed in" under civil service. The compensations of these positions to be "blanketed in" would be subject to the salary standardization provisions of the charter.

This measure would extend civil service provisions of the charter to positions and departments now exempt from civil service and is in line with the long-term policy established for many years. Under this program it has been the policy to "blanket in" all employees who have occupied the positions for a reasonable period of time, with one year's service fixed as the minimum. Two years ago the park and public library employees were "blanketed" in under civil service by charter amendments voted by the electorate, when the civil service system was extended to these departments by the charter amendments.

Proposition No. 37

POWERS OF THE RECREATION COMMISSION

This amendment to Section 42 of the charter, proposed by the Recreation Commission, would provide for the same powers and duties that the Commission had under the old charter superseded January 8, 1932, by the present charter. The Board of Freeholders, in drafting the present charter, carried over the powers and duties of the Commission by reference to the old charter.

A court decision in 1938, in a somewhat similar situation, held that law by reference to another or superseded act was not sufficient and that it was necessary to restate the old act or parts of the act to be continued in the new statute.

Proposition No. 38

**ABANDONMENT OF STREET CAR OR OTHER
TRANSPORTATION SERVICE**

This amendment to the charter would, in the event of the unification of the Market Street Railway with the Municipal system, require recommendation by the Public Utilities Commission in writing to the Board of Supervisors before abandonment or discontinuance of service on any street car, bus, or cable car line.

The recommendation of the Public Utilities Commission must be acted upon by the Board of Supervisors within thirty days. A public hearing shall be held and nine votes are required to overrule the Commission's recommendation. Failure to act within thirty days would be deemed approval of the Commission's recommendation. The measure also provides that the Supervisors would have no control over lines that have been operating less than one year.

The latter provision was inserted when it was pointed out by the Manager of Utilities that the Commission and the management would be seriously hampered in establishing new lines, if there was a possibility that the Commission would be forced to continue operation of losing ventures.

This proposal was introduced and sponsored by the Central Council of Civic Clubs, which maintained that the public now had the right to a public hearing before the Supervisors in the event the Market Street Railway attempted abandonment of any of its lines. Under existing charter provisions the Council pointed out the public would lose the right to such hearings as the Public Utilities Commission had full control.

Under charter provisions, the Utilities Commission is held responsible for the success or failure of all of the City's publicly owned utilities and this measure would in some degree remove the Commission's control over the management and success of the street railway transportation system. It is obvious that taking over the lines of the Market Street Railway means reorganization, extensions and abandonments in order to provide the City with a coordinated transportation system. This proposal could, if carried to the extreme, impair the future effectiveness and results to be obtained from the unification of the two street railway systems. It is unsound on the one hand to charge a governmental body with responsibility for the operation of the street railway system and at the same time put restraints on their ability to accomplish the anticipated results.

Proposition No. 39

MEDICAL CARE FOR CIVILIAN DEFENSE WORKERS

This amendment to Section 9 of the charter would authorize the Board of Supervisors to provide by ordinance medical care, hospitalization compensation and other benefits for regularly authorized volunteer civilian defense workers who might suffer injuries in line of duty. There is no way under existing provisions of the charter that volunteer workers could be legally provided for in the event such employee suffered injury or was involved in an accident while performing his or her duties.



The City

*A Publication Devoted to the Promotion and Application of Scientific
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Vol. XXIII

APRIL 9, 1943

No. 1

Charter Amendment No. 1

\$7,950,000 Revenue Bonds
for Purchase of the
Market Street Railway

Issued by the

San Francisco Bureau of Governmental Research

58 Sutter Street, San Francisco, California

"An incorporated non-partisan citizens' agency to study public business, cooperate with officials and specifically work for economy and efficiency in municipal affairs."

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MARKET STREET RAILWAY PURCHASE

San Francisco voters will have another opportunity on April 20th to vote on the proposition that the City acquire the operative properties of the Market Street Railway Company by issuing \$7,950,000 in revenue bonds. This is essentially the same proposal that appeared on the November 3, 1942 ballot as Proposition No. 26. The ballot proposal is in the form of a charter amendment, as the charter must be amended to permit the issuance of revenue bonds. If the voters approve the proposition, necessary legislative approval can be secured before the Legislature adjourns and the unification can be completed before the end of this year. Approval at a later date would postpone consolidation of the street railway systems possibly until the Legislature convenes in 1945.

General Provisions of the Charter Amendment:

The proposition on the April 20th special election ballot will add a new section, 121.1, to the charter. The terms and conditions of this charter amendment are similar in most respects to the proposition submitted to the voters at the November 3, 1942 election. Controversial provisions, which would have permitted the Board of Supervisors to sell bonds at private sales, as well as by public sale, were eliminated from the amendment. In order to placate the municipal car-men's union, which was opposed to the purchase proposal last fall, the section protecting Market Street Railway platform men's seniority rights, was also dropped. An important addition to the measure provides for the payment of \$200,000 annually to the credit of the City's general fund in lieu of taxes now being paid by the Market Street Railway to the City and County.

Among other things, the amendment provides for the issuance by the Supervisors of revenue bonds in an amount up to \$7,950,000 for the purchase of the Market Street Railway's operative properties; that the bonds shall not be a lien against the taxable property in the City and County; that taxes and tax funds shall not be used for any purpose in connection with the railway system, with the exception of principal and interest on outstanding 1913 Municipal Railway general obligation bonds, in the event railway revenues are not sufficient to meet such charges; that the maximum term of the revenue bonds shall be 15 years and the maximum interest rate five percent per annum. The City will be required, under the terms of the amendment, to maintain a rate of fare adequate to yield annual revenues sufficient to cover the cost of (a) principal and interest on outstanding 1913 Municipal Railway bonds, (b) operating expenses, (c) principal and interest on purchase bonds, (d) maintenance and repairs, (e) amounts to be expended in the ensuing year for depreciation, reconstruction, extensions and improvements, (f) the amount required to establish and maintain a surplus operating fund as provided by the charter.

Previous Attempts to Acquire Market Street Railway Properties:

Proposals to acquire the operative properties of the Market Street Railway are not of recent origin, having been officially considered from time to time during the last 20 years. The proposition has been submitted to the voters in 1925, 1938, and 1942. An initiative ordinance providing for the purchase of the Company's properties in November 1925 for \$36,000,000 was voted down by the electorate. The proposition to acquire the Market Street Railway was placed on the special election ballot of September 27, 1938. This proposition involved issuance of a general obligation bond issue of \$24,480,000. The purchase price under this proposal was not to exceed \$12,500,000 and the balance, \$11,980,000, was estimated as the cost of partial rehabilitation, purchase of new equipment, and coordination of the system with the Municipal Railway. This cost of partial rehabilitation should be recognized as indicating postwar requirements of similar character.

The current proposition to acquire the Market Street Railway system was started in the spring of 1942 and was due to the increased street car traffic as the result of the war emergency. The Mayor initiated conferences between representatives of the Market Street Railway and City officials for discussion of plans for acquiring the Market Street Railway. The conferences resulted in a tentative plan, approved by the Public Utilities Commission, providing for the purchase of the properties either in seven annual installments with a total payment of \$11,534,415 (including principal, interest, taxes, office expense, insurance) or by outright purchase by an \$8,350,000 general obligation bond issue.

Appraisals of Market Street Properties Support Price:

Appraisals of the properties of the Market Street Railway Company support the Supervisors' compromise purchase price of \$7,950,000. The Company's price was \$8,350,000. The Supervisors negotiated with Company representatives, in August 1942, asking a reduction of \$625,000, the amount of the City Engineer's estimate of the cost of the Company's street paving obligations under the terms of the Company's franchises. The \$7,950,000 price was the result of these negotiations.

In return for this sum, the City will get land appraised by the City's Chief Right of Way Agent and Director of Property at \$1,058,600, and various buildings appraised at \$409,300. The operative property also to be acquired includes the following, as appraised by the Public Utilities Commission's engineering bureau as of May 1, 1942: 481 street cars, 9 trolley coaches, 124 motor coaches and service equipment valued at \$2,181,000; track and roadway valued at \$3,762,000; power transmission and distribution systems valued at \$1,312,000; materials and supplies, \$250,000; and various miscellaneous items, including shop equipment valued at \$223,000. The total estimated value of the foregoing is \$9,195,900. The difference between this figure and

the \$9,957,000 appraisal submitted by the Public Utilities' engineering bureau—\$762,100—is the use of the lower land and building value set by the Director of Property.

A report submitted by the Controller on August 27, 1942, and a report by the engineers of the California Railroad Commission indicate the value of the system is above the purchase price.

The Controller's report indicated that the value of the operative properties, on the basis of cost less accrued depreciation, as of December 31, 1942 would amount to \$9,014,923, including materials and supplies.

The Railroad Commission Engineers reported the valuation of the properties on the basis of reproduction cost new, less depreciation, as \$13,644,075 and that a fair purchase price, based upon capitalizing earnings, would range between \$7,900,000 and \$8,600,000.

The Manager of Utilities had reported in June, 1942, after an appraisal, by the Utilities' engineering bureau, that the properties had a value of \$9,957,000 as of December 31, 1942. The Company claimed that in their judgment an appraisal of the properties would show a valuation of \$17,237,202.

The price agreed upon by Supervisors and Company representatives has not been put up to the stockholders for ratification. This action, financial representatives of the Company state, must follow the election on April 20th, in the event the voters authorize the purchase of the properties of the Company, rather than precede the election, as it was stated to be necessary to have a definite proposal to present to the stockholders.

According to the latest available financial reports there are 319,264½ shares of all issues of stock outstanding with equal voting rights, as follows: 116,185 shares of prior preferred (preferred as to dividends; also preferred as to assets in case of liquidation), \$100 par value; 49,868½ shares of preferred, \$100 par value; 46,737 shares of second preferred, \$100 par value; and 106,474 shares of common stock, \$100 par value. The report shows that the Standard Gas and Electric Company owns 61,900 shares of common stock, 25,500 shares of second preferred, 39,250 shares of preferred stock and none of the shares of the prior preferred issue, which is outstanding in the hands of the public. The parent company owns 126,650 shares or 39.6 percent of the total number of shares outstanding.

Estimated Operating Results:

Estimates of the operating results of the combined Market Street Railway and Municipal Railway systems under City management and City operating conditions were prepared by the Manager of Utilities. The Manager of Utilities estimated annual financial results on the basis of operations for the six-month period July to December, inclusive, on a six cent fare basis. Estimated passenger revenue of the consolidated system would amount to \$13,229,137. Estimated miscellaneous revenues would increase this amount to \$13,311,975.

Operating expenses for the consolidated street car systems, based on 2,214,054 car-hours at a \$3.67 per car-hour cost, was estimated to amount to \$8,125,578, for consolidated street car operation. Consolidated bus operation, with 846,694 bus-hours at a cost of \$2.33 per bus-hour, would amount to \$1,972,797.

Deductions for an accident reserve, at the rate of three percent of passenger revenue, would amount to \$396,874. Other deductions include \$200,000 in lieu of taxes, in accordance with charter amendment 121.1; \$152,500 for debt charges of 1913 outstanding Municipal Railway bonds; and \$225,000 for estimated loss of short-haul riders and universal transfer privileges, would leave \$2,239,226 available for purchase bonded debt charges, reconstruction and depreciation.

The Manager of Utilities estimates interest at the rate of three and a half percent per annum and debt retirement over a 15 year period. On this basis revenue bond debt charges would require a deduction of \$808,250. The balance estimated as available for reconstruction, replacements, deferred maintenance and general depreciation requirements is \$1,430,976. Estimates indicate recent additions to the Municipal Railway employees' wage scale will reduce the estimated balance by approximately \$400,000.

On the basis of the seven cent fare now being charged by the Market Street Railway, the balance available for depreciation, reconstruction, and deferred maintenance would be increased by \$2,200,000 under existing traffic conditions.

No estimates of the financial results to be expected from joint postwar operation can be of real value in advance of definite plans for the rerouting, elimination of unnecessary service, substitution of buses and trolley coaches for certain lines and other possible economies. The Bureau's estimate of possible postwar operating results, based on conditions preceding hostilities, indicated that joint operation under existing operating costs, a seven cent fare, and universal transfers, but prior to rerouting, elimination of unnecessary service and other possible economies under consolidation, would result in an estimated balance of approximately \$1,000,000 available for depreciation and rehabilitation costs.

If the experience following the last war is a guide to conditions to be anticipated after this conflict, estimates based on prewar conditions may fail to reflect the future with any degree of accuracy. Operating conditions were affected by the price level, which increased sharply during the 1917-19 war period, receded from the high war and immediate postwar period, but remained at a level considerably above the prewar level. The five cent fare on street car systems, almost universal prior to the war, practically disappeared after the war, due in part to the effects of the higher price and wage level and later, to a falling off in street car riders by virtue of competition from privately owned automobiles. The upward trend in prices and wages now under way

may affect the fare structures of street railways in a similar manner, if history repeats.

The United States Bureau of Labor Statistics' index of wholesale prices, using the year 1935-39 as equal to 100, shows that wholesale prices rose from an average of 70.7 in 1913 to more than double the prewar level by the end of the war. From 1924 through 1929 the price level remained between 120 and 130. Even the effects of the long depression of the early thirties did not bring the price level below 90 on the average in comparison with 70 in the prewar year of 1913.

A possible effect of the rising price curve might be to enhance values at a greater rate than depreciation, with the result that the properties contemplated for purchase would have a greater value either for the City, if the voters approve the purchase, or for the Company, if it retains ownership.

Survival of Five Cent Fare in Doubt:

A conservative view of the postwar future does not warrant a great degree of optimism regarding continuance of the five cent fare on the Municipal Railway. The Municipal Railway barely made expenses on the five cent fare in the six months period from July to December 1941 inclusive, immediately prior to commencement of hostilities. Whatever profit resulted from the six months period of operations came from miscellaneous income such as street car advertising. The official reports show that passenger revenue amounted to \$2,056,885 and total expenses and other charges, including bond redemption amounted to \$2,058,066. The Municipal Railway showed a loss of \$1,181 on its passenger business but \$31,909 in miscellaneous and non-operating revenue turned the deficit into a \$30,727 profit.

Since that period, the wages and salaries of Municipal Railway employees have advanced approximately \$300,000 yearly. The new salary standardization ordinance for 1943-44 will increase costs \$170,000 or more annually. Higher material, equipment and supply costs, if history repeats, may be carried over into the postwar period in some degree and may affect the ability of street railways to give service with existing equipment for current fares, including the ability of the City to maintain the five cent fare.

Unless the taxpayers are forced to contribute to the support of the Municipal Railway (which happened between the years 1930-34 to the extent of \$1,236,856) the railway inevitably faces a possible increase in the fare to provide sufficient revenues to pay all charges. Approval of charter amendment 121.1 by the voters will remove any doubt as to whether the taxpayer, in the future, may be forced to assume a portion of the cost of maintaining and operating the Municipal Railway, by making such support legally impossible.

Unified Operation Essential:

Opponents of the purchase-unification plan advance alternative proposals,

including voluntary cooperation between the two systems, with joint use of tracks and equipment for the duration, universal transfers and universal fares or some variation of this general idea. They also suggest enforced cooperation and joint action for the duration under the Office of Defense Transportation's direction and other variations of this general theme. Strangely enough every proposal of opponents to unification by purchase involves some form of joint operation for the war's duration.

Alternative proposals, in the main, involve a return to prewar competitive operation. These plans fail to provide a permanent solution to the transportation problem, which existed before the war and is a major problem, primarily because of this dual control.

Practically every transportation and City planning expert that has made a study of the San Francisco problem in the last quarter of a century, has favored unified operation. Since unified operation, by sale or lease of the Municipal System to the Market Street Railway appears politically impossible, there does not appear to be any alternative but for the City to purchase the privately owned system.

Immediate Benefits of Consolidation:

The most obvious benefits of unified operation under City ownership and operation include universal transfers, uniform fare, improvement of service on Market Street by equal distribution of street cars on the four tracks on Market Street and by putting into service approximately 75 additional Market Street Railway cars not in service.

Other general improvements in service and operation will follow consolidation, recommendations of the Manager of Utilities' report to the Public Utilities Commission on January 19, 1943 show. These include a general increase in service by use of additional street cars on all lines of the existing Municipal Railway system. The Cahill report indicates that the joint system would benefit from increased shop facilities by acquisition of shops now owned by the Market Street Railway, wherein the company manufactures many automotive parts, which would eliminate, to some extent, existing difficulties of the Municipal Railway in obtaining automotive parts. The company's Elkton Yard has the equipment for making major repairs and for the manufacture of both equipment and track structures, which would benefit the Municipal Railway.

The Manager of Utilities' plans call for immediate repairs to track areas on Market Street and other thoroughfares.

In addition to the foregoing general benefits anticipated by the Manager of Utilities to be derived immediately from consolidation, the Manager also listed certain district improvements as follows: a Sunset district motor coach line from Taraval and 46th Avenue via 46th Avenue to midway between the "N" and "L" lines and thence into the downtown district; extension of Silver

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Avenue bus line into Hunter's Point district; express service from the Bay View district to the downtown area; an extension of the Balboa Street line to the Beach by laying tracks on Balboa from 29th to 33rd Avenues; operation of No. 6 and 17, Haight Street lines, through the Sunset Tunnel. Other extensions proposed by the Manager of Utilities in his January 19th report immediately following consolidation, include extension of the Stockton Street "F" line from Market and Stockton Streets to the Southern Pacific Third Street Depot via Fourth Street and a proposed bus line to connect Miraloma Park district with Eureka Valley.

Conclusion:

Purchase of the Market Street Railway System by the City and unification with the Municipal Railway System is the only practical permanent solution of the City's transportation problem thus far proposed. The negotiated price fixed for the Market Street Railway operative properties appears reasonable and not out of line with the valuations placed on the property by various appraisals. Consolidation will result in a universal fare, universal transfers, improved service, especially on Market Street, and, from the long range point of view, provides the foundation for building a modern transportation system, with elimination of competing lines and economic waste.

The City

A Publication Devoted to the Promotion and Application of Scientific Principles of Government

Vol. XXIII

OCTOBER 20, 1943

No. 2

November 2nd Ballot Measures

Charter Amendments

1. Firemen's pensions
2. Ten cent tax levy for sewers
3. Police pensions (withdrawn)
4. Salary of Captain of Traffic increased
\$1,000 per year
5. Continuous retirement fund membership
for employees on military leave
6. Terms of Recreation Commissioners
7. Posting rewards for apprehending felons;
permissive legislation
Proposition
8. Permits one-man street car operation

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CHARTER AMENDMENT No. 1

Fire Department Pensions:

This measure will, if adopted, amend section 171 of the charter, and will greatly increase existing pension benefits under the City employees' retirement fund to members of the fire department who entered the service after January 8, 1932, and to their wives, children and dependents. Members of the fire department who entered the department prior to January 8, 1932, are not affected. The cost to the City when all firemen are members of the proposed new pension plan will be \$517,704 per year in comparison with \$306,257, if existing charter provisions remained in effect.

Charter amendment number 1 provides for retirement after 25 years' service at the option of the member with a retirement allowance of 50 percent of the average compensation of the three final years. It provides for the continuance of the 50 percent allowance to the wife, married at least one year prior to retirement, which shall continue to the wife until her death or remarriage and to any children up to the age of 18 years of the youngest child, or to dependent parents.

The proposed act provides for death before retirement not incurred in performance of duty as follows: If eligible for service retirement after 25 years' service the member's dependents are provided for same as in the case of death in the performance of duty; if not eligible for a 25 year service pension, six months salary plus accumulated contributions of the member will be paid in a lump sum. Existing provisions provide for payment of six months salary plus accumulated contributions of member.

Under existing charter provisions, the fire department personnel joining the department since January 8, 1932—the date the present charter became effective—are members of the City retirement fund. An allowance of one-half of the average salary earned in the ten years' period immediately preceding retirement is provided, which shall cease at death with a \$500 death benefit, unless a member elects to receive a smaller allowance and to leave a more substantial benefit to his beneficiary.

Pensions For Death or Injury In Line of Duty Not Involved:

The proposed measure is not necessary or required to provide adequate protection for death or disability in line of duty and the payment of a pension to the fireman's wife or dependents, as existing retirement provisions now provide for such payments.

This amendment is primarily concerned with securing a service pension of half pay after 25 years service and the extension of this pension allowance to the wife and dependents.

Under existing provisions, no member of the retirement system shall be retired, except in case of disability incapacitating him for the performance of his duties, unless he shall have attained the age of 55 years and completed 20 years of continuous service, except that retirement shall be compulsory at 70 years of age. A member also may retire after 30 years of continuous service. In case the member is below the age of 55, the retirement allowance shall be calculated in accordance with actuarial tables.

There are several minor deviations from existing provisions in the proposed act which possibly favor the beneficiary by an extension of benefits. For example, death and injury incurred in performance of duty regardless of age and length of service now is compensated for by fifty percent of the salary earned over the preceding ten years. In case of death the pension is payable to the wife, married prior to injury, until death or remarriage and after death, or if there is no wife, to the children until the youngest reaches the age of 16. Under the proposed measure, the age of the children has been increased to 18 years and the allowance is based upon the salary earnable during the three years immediately preceding death. Reduction from 10 years to three years, in the case of promotions a few years before retirement or death means an increased pension allowance under the three year rule of the proposed amendment. Also death and injury in line of duty has been broadened to include "illness caused by the performance of his duty." This provision is apt to cause many controversies, as it often will be difficult to determine the cause of illness, and whether such illness was contracted in line of duty.

City Forced to Assume Additional Cost:

The contributions required from the members by the proposed amendment is a flat five percent of salary. The City is required to pay the major share of the increased cost. An actuarial report prepared by the San Francisco City and County Employees' Retirement Board and submitted by Ralph R. Nelson, actuary, shows that the City ultimately will be required to pay 15.18 percent of salaries or \$517,704 annually under new section 171, if adopted. Under existing provisions of the charter, the City's annual contribution on the same basis as the preceding would amount to \$306,257 or 8.98 percent of salaries. The firemen now pay an amount that averages 5.09 percent of salaries.

\$6,000,000 Deficit in Old Firemen's Pension Fund:

Firemen who entered the City's service on or before January 8, 1932, are members of the old charter firemen's pension plan, which is entirely supported by City and County funds. The Actuary-Secretary of the City retirement board reported an unfunded deficit of \$5,958,223 on June 30, 1943

at the close of the last fiscal year. Fortunately the present charter placed all members of the department, entering the service after January 8, 1932, in the actuarially sound general employees retirement fund, thereby limiting the membership in the old firemen's pension fund and holding the deficit down to its present total.

The current deficit in the firemen's pension fund is the result of a failure on the part of City officials to make the necessary annual budget appropriations in amounts sufficient to maintain this fund on an actuarially sound basis. This practice has continued over a period of years and unless future administrations start such payments the deficit in the fund will continue to increase several hundred thousand dollars per year over the next few years.

The measure on the November 2nd ballot does *not* provide a solution for the financial difficulties of the old firemen's pension fund and a method by which the deficit may be reduced or eliminated. The problems of the two groups of men involved and their pension systems may not seem related to the members of the fire department, but since the same taxpayers are required to pay both bills they represent one problem to the latter.

Arguments For and Against the Proposal:

The members of the fire department advocating this measure argue that it will place the firemen appointed in the last ten years and to be appointed in the future on about the same basis as the "old" firemen, and improve the morale of the department, except that they would be required to pay five percent of their salaries towards maintaining the fund, whereas, the "old" firemen do not pay anything towards their pension fund.

The men also claim that it will produce earlier retirements and thereby provide room for the return of 150 to 200 members of the department now serving in the armed forces or the United States Merchant Marine, without increasing the number of men in the department and increasing cost to the City by the full amount of the added payroll. They claim sufficient men will retire under the new measure at half pay to leave room for the return of members in the service, thereby reducing the payroll cost for the returned members one-half. This argument, however, is of doubtful value, as the men in the past have not retired as rapidly as the present members optimistically believe possible in the future. The proposed amendment omits mention of a mandatory retirement age and retirement therefore is optional with the members unless the fire commission can prove disability.

The firemen claim, and with some justification, that theirs is a hazardous occupation, which should be compensated for by greater protection for themselves and families than that granted other employees. This protection is afforded now, as the hazards of the occupation are well provided for under the

existing pension provisions, in which injury and death incurred in line of duty are adequately covered. The men have admitted the latter is not an issue in this matter.

Spokesmen for the firemen state that older men are of little value to the fire department in times of emergency and men should be retired at a fairly early age to provide room for young men; that the unfunded deficit in the old firemen's pension fund is not a liability created by the firemen, but was created by the failure of City officials to appropriate the necessary funds; and that larger cities throughout the United States generally do not require the firemen to pay as much towards their pensions as the firemen are paying now on the average or under the proposed measure. The men claim that the average pension payment by the men in other cities is slightly in excess of four percent. In order to determine the relative merits of various pension systems, however, it is necessary to compare *benefits* of the various systems as well as payments into the fund by recipients.

CONCLUSION:

The measure, as presented to the voters, represents a costly *service* pension plan granting firemen retirement privileges for service, not accorded any other employee group. Disability, injury and death in performance of duty are adequately provided for under existing retirement provisions and are not an issue in this ballot measure. Extension of the service pension benefits incorporated in this measure to the 14,000 other employees of the City and County, on the theory that its adoption sets a precedent would mean millions of dollars in increased annual cost to the taxpayers. The proposal makes no provision for funding the \$6,000,000 deficit in the old firemen's pension fund while at the same time increasing the City's ultimate cost \$211,000 annually.

The whole problem presented by both fire and police retirement provisions, the men's demands and the fire and police pension deficits should be the subject of an impartial study out of which might come a constructive and acceptable program—acceptable not only to the beneficiaries, as in the present instance, but also to those who pay the bill.

CHARTER AMENDMENT No. 2

Ten Cent Tax Levy for Sewer Reconstruction and Maintenance:

Charter amendment number 2 adds to section 78 the provision that each year for the period commencing 1944 and ending 1954 there shall be included not less than ten cents on each \$100 assessed valuation in the annual tax rate for construction, reconstruction, maintenance, improvement or repair of sewers. Section 78 now authorizes the supervisors to make the annual tax levy and specifies certain minimum tax rates, including a minimum tax levy of four cents for libraries, ten cents for parks and squares, and seven cents for playgrounds.

The general public, civic and other organizations had no opportunity to be heard on this proposal as it was a last minute submission introduced on the morning of September 17th, given a perfunctory public hearing by the supervisors' judiciary committee and ordered submitted to the voters by the supervisors meeting in the afternoon on September 17th for the purpose of last minute consideration of charter amendments and ballot propositions.

The measure was introduced by officials of the San Francisco Building Trades Council and supported by the Associated General Contractors. The proposal, as originally submitted did not contain a time limit and the sponsors of the measure accepted this Bureau's suggestion that the proposed tax levy for sewers be limited to a ten-year period.

The ten-cent minimum levy would provide approximately \$800,000 annually for sewer construction, reconstruction, maintenance and repair. The 1943-44 budget contains an appropriation of \$425,000 for the sewer repair department. The budget also contains a \$638,000 appropriation for sewer construction, reconstruction and replacement. In other words, the sums appropriated in this year's budget exceed by a considerable amount the minimum levy proposed by charter amendment number 2.

It is generally considered poor governmental fiscal policy to freeze in the tax rate levies for numerous and apparently necessary services, thereby making the annual budget and tax levy inflexible and not subject to control of the elective representatives of the people. The policy of fixing appropriations by law might be extended to such necessary services as the Health Department, City and County Hospital, Emergency Hospital, Police and Fire Departments on a similar basis of necessity. The power to regulate and levy taxes for sewer construction is in the hands of the supervisors and is unlimited under existing provisions. This measure would merely force the supervisors to levy a minimum amount for sewer reconstruction and maintenance, an amount not necessarily based on the needs of the sewer system.

Little harm can be done by the proposal unless the public is convinced

that voting this ten cents will solve the sewer problem. Any such reaction on the part of the public would be serious, as the requirements for the next fifteen or twenty years range up to an estimated \$18,000,000 for sewage treatment plants, outfall sewers and reconstruction of main sewers, of which possibly five to ten million may be necessary within the next few years. The tax levy proposal is not sufficient to meet the requirements of the sewer system. The balance of the financial requirements of the sewer system will have to be met either by a general obligation bond issue or issues, or a sewer revenue bond issue, as suggested by City officials.

CHARTER AMENDMENT No. 3

(Withdrawn at the Request of Members of the Police Department):

This charter amendment was withdrawn by the supervisors, on September 27th, at the request of members of the police department. The supervisors had ordered the measure submitted on September 17th, despite statements by this Bureau and the City Attorney as to the probable illegality of such submission, on the grounds that the supervisors had failed to have an actuarial report on the financial effect of this measure before ordering it submitted to the voters, as required by section 158 of the charter. The charter provides that the Board of Supervisors shall secure through the retirement board an actuarial report of the costs and effect of any proposed change in benefits under the retirement system, before voting to submit any proposed charter amendment changing the pension provisions.

CHARTER AMENDMENT No. 4

Salary of Captain of Traffic Increased \$1,000 Per Year:

Charter amendment number 4 makes but one change in section 35.5, namely an increase in the salary of the Captain of Traffic from \$4,300 to \$5,300 per year. The existing provision, adopted in 1938, following the police reorganization survey by this Bureau under the auspices of the Mayor's committee and financed by the Chamber of Commerce, the traffic captain's salary was fixed at the same level as the Director of the Bureau of Criminal Information, Director of the Bureau of Personnel and the Supervising Captain of Districts, who each receive \$4,300 per year. The amendment would place the Captain of Traffic on the same level as the Captain of Inspectors. The Chief of Police contends that the greater burden placed upon the Captain of the Traffic Bureau, the increased duties of this position, the added number of services and increased force under his supervision should be compensated for by an increase in salary.

CHARTER AMENDMENT No. 5

Continuous Service:

This measure provides for an amendment of an amendment adopted by the voters at the November, 1942, election. Section 161 as amended in 1942 provides for continuous membership in the City's retirement system for City and County employees who have entered or will enter the United States armed forces or the Merchant Marine, in order that their retirement status shall be maintained during their military leave of absence.

In the 1942 measure it is provided that in the event the City employee's compensation in military service is in excess of \$100 per month, the member will contribute his share of the pension fund payment, the City contributing its share as at present. The member is required to elect to continue membership in the retirement fund within four months after leaving the City's service. However, if the member's base pay in the service is less than \$100 per month the City and County will contribute for both the member and the City. This measure affects only the first group, those continuing to pay their own contributions.

The proposed amendment would eliminate the necessity for the member in the armed forces to elect within a period of four months after the effective date of the 1942 amendment, or within four months after the beginning of the member's leave of absence, to continue his membership in the City retirement fund. It was stated that some members have been and others may be shipped abroad before they have an opportunity to elect to continue membership in the retirement fund.

The proposed amendment provides that any contributing member of the City's retirement system, who is absent after December 14, 1940 in the armed services or the United States Merchant Marine and for such time thereafter as may be provided by rule of the Civil Service Commission, but in any event not to exceed two years after the proclamation of peace, except in case of disability, may elect to contribute to the retirement system amounts equal to the contribution which he would have made from the beginning of his leave of absence, and in amounts equal to the amounts he would have paid if he had remained on the City's payroll.

Under the proposed measure, the City suffers no financial loss and at the same time grants City employees, serving in the armed forces or merchant marine who may have inadvertently lost their status in the retirement system, a chance to seek reinstatement and prevent similar situations from occurring in the future.

CHARTER AMENDMENT No. 6

Recreation Department: Terms of Recreation Commission:

Charter amendment number 6 would correct an omission or oversight on the part of those who drafted and submitted the recreation department amendment at the November, 1942 election. The November, 1942 ballot measure, as adopted by the voters, inadvertently omitted the sentence in the act providing for definite terms for the recreation commissioners.

The proposed measure would correct this situation by re-inserting language omitted in the 1942 measure and which was in effect prior to the adoption of the 1942 amendment, thereby providing for a definite four year term for commissioners. The Superintendent of Schools and the Superintendent of Parks will continue to be ex-officio members of the recreation commission.

The proposed amendment provides for the continuance in office of the incumbent commissioners until their respective terms shall have expired. Upon the expiration of the term of each commissioner, the Mayor shall appoint his or her successor for a further term of four years. The Mayor also has the power to fill all vacancies for unexpired terms.

CHARTER AMENDMENT No. 7

Reward for Apprehension and Conviction of Felons:

This amendment, originating in the Board of Supervisors, would add section 9.1 to the charter, granting the Board of Supervisors the power to include in the annual budget and the annual appropriation ordinance an amount up to \$5,000, which the supervisors by resolution and with the approval of the Chief of Police, may offer as a reward for the apprehension and conviction of persons who may have committed a felony in the City and County of San Francisco. The measure is an enabling act granting permission to the supervisors to issue a reward or rewards up to \$5,000.

This measure resulted from attempts by supervisors to authorize a reward for information leading to the apprehension and conviction of the so-called green glove rapist terrorizing a section of the City a few months ago. At this time, the supervisors discovered that they were unable, under existing charter provisions, to offer a reward for information which would lead to the capture and conviction of the perpetrator. The amendment does not prohibit payment of such rewards to members of the police force. Police officials are not in favor of offering rewards to the members of the force, as it is their belief that they should apprehend the criminals without special monetary in-

ducement. The supervisors, however, may determine this question in the legislation making the reward procedure effective.

The Governor is authorized to issue rewards for the apprehension of alleged or suspected criminals and the practice is authorized by law in some cities as well as other states.

The issue involved is of no great importance and no apparent harm can be discerned in granting this authority to the Board of Supervisors. The amount is small, the measure is an enabling act only and does not commit the board to its expenditure every year. Rewards are used by United States agencies for information leading to capture and conviction of wanted felons, and this would not be done unless there was some value to the system.

PROPOSITION No. 8

ORDINANCE: AMENDING SECTION 40 OF CHAPTER IX PUBLIC UTILITIES CODE

Permitting Operation of Electric Street Cars by One Person on Designated Streets, Except Market Street, For Duration of War:

An amendment to an initiative ordinance, Section 40, Chapter IX, of the Public Utilities Code, will, if adopted, permit one-man operation of street cars. This proposition was ordered submitted by signature of Supervisors Brown, Green, Uhl, Colman, after a committee of the board had tabled a request of the Market Street Railway to place a similar measure on the ballot. The action of the four supervisors was taken in accordance with section 179 of the charter, which provides that one-third of the membership of the board (four supervisors) may propose ordinances for submission to the voters.

The proposed amendment states that for the duration and until the termination of the present war, or until the Board of Supervisors by ordinance shall determine that the manpower shortage no longer exists, street railway cars (except cable cars and except on Market Street) may be operated by one experienced operator. Operation of street cars by a single operator may be put into effect without limitation on seven lines of the Market Street Railway as follows: No. 19, Polk-Larkin Streets; No. 25, San Bruno Avenue; No. 26, San Jose Avenue; No. 27, Bryant Street; No. 36, Folsom Street; No. 41, Second Street; No. 42, Sansome Street.

Limited operation of one-man cars on the following seven lines of the Market Street Railway will be possible under terms of the ordinance on the ballot. The seven lines are: No. 11, Mission and 24th Streets; No. 12, Ingle-side and Ocean Avenue; No. 14, Mission Street; No. 15, Third and Kearny Streets; No. 20, 4th-Ellis-O'Farrell Streets; No. 22, Fillmore Street; No. 40,

San Mateo Interurban. The one-man operation will be permitted on the foregoing seven lines, except between the hours of seven and nine in the morning and four to six in the afternoon on Monday to Friday inclusive.

The Market Street Railway Company states that if this measure is approved a saving in man power will result, making it possible for the company to maintain present schedules and to augment the service during the morning and evening rush hours. Officials of the company state they will place fifty additional street cars in service during the morning and evening peak periods on the various lines of the company serving all parts of the City.

The measure was opposed by representatives of the Building Trades Council and other representatives of organized labor, who claimed that the measure was unnecessary, would make operation more hazardous for the public and would tend to slow up the service rather than improve it.

The Office of Defense Transportation, prior to the election of November, 1942, expressed the hope that the Board of Supervisors would submit a one-man car ordinance to the voters at the November, 1942, election. Failure of the supervisors to heed the request of the Office of Defense Transportation brought a request to the Mayor on December 14, 1942, that he exercise his emergency powers under section 25 of the charter and set aside provisions of the initiative ordinance prohibiting one-man car operation, in order that a critical manpower situation then developing in the transportation industry in San Francisco could be averted. Under a City Attorney ruling, generally concurred in by other legal authorities, it was determined that the Mayor did not have the power under section 25 of the charter to set aside terms of the initiative ordinance.

In almost all of the large cities in the United States street railway systems operate one-man street cars and motor coach operation here and elsewhere is by a single operator, with no apparent ill effects on the traveling public.

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The City

*A Publication Devoted to the Promotion and Application of Scientific
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Vol. XXIV

MAY 1, 1944

No. 1

May 16th Special Election

Ballot Measures

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2. Military Leaves of Absence
3. Transfer of Disabled Employees
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5. Fire Department—Payment for
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State Constitutional Amendment No. 1

Taxation of Federal Property

This measure would amend section 1 of Article XIII of the State Constitution, by removing the existing prohibition against taxing property owned by the United States government, thereby making such property taxable, where not exempt under the laws of the United States. This amendment would also validate any act taken by the State or a taxing agency thereof respecting taxation of Federal property prior to the adoption of the amendment.

Data compiled by the State Board of Equalization last year indicates the Federal government owns 43,000,000 acres or nearly 43 percent of land area of the State, which has an estimated assessed value of approximately \$320,000,000. Of this amount, \$28,198,000 is located in San Francisco and represents nearly 18 percent of the area of the city and county. This amendment would remove a technical legal barrier to taxing whatever United States property Congress authorizes the states to tax. In a comparison with other states, California is at a disadvantage because of this prohibition in the Constitution, as it affects local political subdivisions as well as the state. The San Francisco assessor estimates this city loses approximately \$1,625,000 in annual taxes, due to real and personal property acquired by the Federal government in the last few years.

The distribution of federally owned property is not even throughout the country, being, instead, concentrated in certain strategic areas. California is one of these areas. This places a heavy and unfair tax burden on the remaining property on the tax rolls of these areas and in some instances, seriously affects their ability to support adequate local governmental services.

Charter Amendment No. 1

Purchase of Market Street Railway Operative Properties

An entirely new plan for purchasing the operative properties of the Market Street Railway for \$7,500,000, without issuing bonds, has been submitted to the voters for their approval at the May 16th primary election. The present purchase plan bears no resemblance to previous purchase proposals submitted to the voters, as each of the preceding plans contemplated the issuance of revenue bonds or general obligation bonds, whereas the present proposal provides for assumption of title, clear of encumbrances, to all of the operative properties for a down payment of \$2,000,000 out of Municipal Railway funds and an agreement to pay the balance out of a portion of the receipts of the joint system. If approved by the voters, ratification of the charter amendment by a special session of the legislature in June is anticipated.

Terms of Section 119.1:

The proposed charter amendment sets forth the terms and conditions upon which the city shall purchase the operative properties of the Market Street Railway for a maximum purchase price of \$7,500,000, of which \$2,000,000 shall be paid immediately out of surplus of any of the funds of the Municipal Railway. The city shall be obligated to pay the \$5,500,000 balance of the purchase price exclusively from revenues, the interest rate on the unpaid balance not to exceed four percent per annum.

The provisions of section 119.1 shall prevail over any other provision of the charter or general law and the method provided for extending the Municipal Railway by purchasing the Market Street Railway operative properties shall be considered an additional method of providing for such extension. The purchase will be consummated whenever the Public Utilities Commission, with the advice and approval of the Mayor, shall reach an agreement with the company upon the terms and conditions of the purchase plan and the contract between the city and the company shall be subject only to the provisions of section 119.1.

The city would operate the properties to be acquired as an extension of the Municipal Railway with uniform fares and transfer privileges, in such a manner as to constitute a unified railway system. For the purpose of accounting for the revenues from the unified system, 57 percent of the gross revenues would be considered as derived from the operation of the purchased properties which would be placed in a special fund, to be known as the "Municipal Railway-Market Street Extension Fund," out of which would be appropriated the operating expenses of the purchased properties, fixed

at 55.96 percent of the total annual operating expenses of the unified system; the funds necessary for repairs and maintenance of the purchased properties, fixed at 56.49 percent of the total annual cost of repairs and maintenance of the unified system; the funds necessary to create and maintain a reconstruction and replacement fund applicable to the purchased properties with a \$500,000 limitation in the first year but not less than \$300,000, and in subsequent years, until the purchase price is paid in full a maximum of \$750,000, but not less than \$500,000 per annum. Unencumbered funds remaining in the fund at the close of each fiscal year become a part of the payments to the company.

The remaining balance in the Market Street extension fund would be paid to the Market Street Railway Company first for interest due and second for reduction of the unpaid balance of the purchase price.

Section 119.1 provides among other things, that the title to the Market Street Railway properties, free and clear of all claims and encumbrances, would be transferred to the city and county upon receipt by the company of the \$2,000,000 down payment.

The proposed amendment provides that the fares would not be less than seven cents until the purchase price has been paid in full. Any increase in the fares in excess of seven cents would be in accord with existing procedure in the charter. The city and county would agree, until the purchase price is paid in full, not to make any extensions, radical changes, or alterations to the purchased properties, or abandon any substantial portion thereof, except only to the extent that such extensions or abandonments are required by reason of unification of the operations of the Market Street properties and the Municipal Railway.

Bond Propositions Unacceptable:

Although several previous attempts have been made to purchase the property of the Market Street Railway during the past twenty years, the present proposal is the first time the people have an opportunity to acquire the properties without issuing bonds or incurring an obligation which directly or indirectly affected the credit of the city and county. The present proposal involves a purchase price lower than the amounts set up in all previous proposals.

In November 1925 an initiative ordinance was submitted by a citizens' committee providing for the purchase of the Market Street Railway for a price of \$36,000,000 by issuing general obligation bonds. The measure was defeated by the voters. Another purchase proposal, involving a purchase price of \$12,500,000 coupled with a \$11,980,000 improvement bond issue, and providing for the issuance of general obligation bonds, was voted down at the special election of September 27, 1938. 1942 and 1943 purchase propositions involved a purchase price of \$7,950,000 and issuance of revenue bonds in that amount.

The current proposition involves no bond issue of any kind. The funds needed by the company to gain a clear title to the property for immediate delivery to the city probably will be borrowed from the banks to pay bond holders and other creditors. It is not known whether any bank has agreed to the arrangement or whether the company's stockholders have consented to the deal. Standard Gas and Electric Company, the parent company, is reported to own approximately 40 percent of the voting stock.

Office of Defense Transportation Advocates Unification:

The present ballot measure is the outcome of a series of events which started in the spring of 1942 and culminated with the ODT transportation report of October 1943 proposing numerous drastic changes, which would effect reductions in transportation principally in the outer residential districts. The ODT survey and report followed the defeat of the purchase proposition submitted to the voters at the April 20, 1943 special election.

The ODT transit report proposed curtailing service in the residential areas of the city in order to provide adequate transportation to war industries and congested areas. The ODT proposal came after almost two years, during which time San Francisco has been urged to improve transportation. The ODT has urged the city to undertake consolidation of transit facilities, as the number one prerequisite to improving transportation. The adoption of one-man car legislation also was suggested by the ODT in order to conserve manpower, which was rejected by the voters at the November 2, 1943 election. The ODT, with the failure of purchase proposals, attempted to secure cooperation between the two major systems for improvement in service. The ODT urged the systems to accept a compromise six and a quarter cent fare for a trial period and stated that a universal fare would tend to alleviate the unbalanced distribution of passengers that now exists.

The ODT admitted the proposal to curtail service in outlying areas was a makeshift and not the best solution in sight. The late Joseph B. Eastman, Director of the ODT, stated that the various recommendations contained in the ODT report were of necessity inferior to changes which might be made under unified operations or equalized rates of fare. He stated that the wastage of transportation could not continue.

Value of Properties to be Acquired by the City:

The value of the operative properties of the Market Street Railway Company to the city cannot be measured alone by establishing the financial value of the physical assets that will be transferred to the city under the purchase agreement. The properties to be acquired, in addition to a monetary value, possess intangible values due to their present use, location and the ability to serve the public. Even if the service is not of the best, it is the only service possible to secure for some time to come. The system is important in

that it is strategically located for railroad purposes and it would be difficult, if not impossible, for the Municipal Railway to attempt expansion of the city's system in a manner that would be as successful from a financial and service standpoint as the existing lines of the Market Street Railway properties.

Furthermore, for the duration of the war and possibly for some time thereafter, the property has added value, because of the impossibility of securing needed equipment. The citizens should face the fact that the rails of the company are in the streets and will remain there until the company's franchise expires twelve years hence. At the end of the life of the franchise, the city cannot take over the properties of the company without just compensation. The city can order the company to remove its property and get out, which would be inconceivable, as service must be given districts now served by the company. An alternative would be for the city to grant operating permits or to purchase the property. Whether or not the company would be able to finance an extensive rehabilitation program, in view of the short remaining life of the franchise and competition from the Municipal Railway is problematical, as it would be practically impossible for the company to issue bonds or borrow money for such an investment.

The inevitability of the present proposal to consolidate the street railway systems was established when the first municipal street car started operating on Geary Street, on December 28, 1912, followed by constant development of the Municipal Railway system. A situation was created wherein either the city must abandon the street railway business by selling or leasing the Municipal Railway to the Market Street Railway Company, or the city must buy the company's properties. A unified system under one management has been stated to be essential to proper development of transportation, according to opinions of transportation experts, whom the city has employed to examine the local situation.

Physical Properties Involved:

The operative property that will be taken over under the purchase plan involves all of the operative properties of the Market Street Railway, including property in San Mateo County. This involves 176.348 miles of single electric rail track operated in San Francisco and 28.292 miles operated in San Mateo County. It involves 6.9 miles of single track cable car lines operated and 4.179 not operated. The properties include telephone lines, signal and overhead electric systems, nine shops and car houses with, according to city engineering testimony, one of the best equipped shops in the west, capable of building and rebuilding street cars.

Rolling stock to be acquired includes 439 street cars, nine trolley coaches, 38 cable cars, 124 motor coaches and 26 work cars, cranes and similar equipment. All rolling equipment, such as motor trucks owned by the company

and used in connection with railroad operations, is included in the operative properties to be acquired.

The city will secure some 25 parcels of real estate valued by the city's chief right-of-way agent and director of property at \$1,058,600, on which the various buildings have been appraised at \$409,300. Other major items include six sub-stations and buildings well located for a unified transportation system, according to public utilities engineers.

Estimated Financial Results:

War-time profits of the unified system under a universal seven cent fare are estimated by the Manager of Utilities to amount to \$3,314,000 annually, taking into consideration recent increases granted Municipal Railway carmen.

The Market Street Railway, in the twelve months ending December 31, 1943, had a total income of \$8,560,000 and, after all deductions from income, reported a net income of \$590,000, before federal taxes and subject to minor adjustments. The Bureau estimates indicate that if the city had taken over the Market Street Railway system and operated the system in 1943 as a part of the Municipal Railway system under a universal seven cent fare, but before any possible economies under unification, except elimination of certain expenses such as legal and administrative expenses, etc., the unified system would have made an estimated net income of approximately \$2,500,000, after adjustment for 1944 wage rates. The official estimate is based on the results from operations during the four months period from October 1st 1943 to January 31st 1944 and therefore reflects the rising curve of earnings to a greater degree than the Bureau's estimate.

The Manager of Utilities estimates the payments from surplus available to liquidate the purchase obligation would amount to \$2,125,905. At this rate, the \$5,500,000 unpaid balance, using the maximum of four percent interest per annum, would be paid off in a little over two and a half years. The portion of the surplus estimated to be earned by the Municipal Railway of \$1,088,217 after deducting \$100,000 for redemption of outstanding Municipal Railway bonds, would be available for new equipment and replacements. Obviously both systems will require considerable reconstruction work and replacements after the war, in view of the excessively heavy use required of existing equipment and structures without being able to compensate therefor with adequate maintenance and replacements.

The Municipal Railway reports \$4,041,041 in cash on hand on March 31, 1944, against which the balance sheet shows \$270,000 in accounts and bond interest payable. The outstanding unmatured long-term bonded debt consisting of the December 1st 1913 issue of municipal railway bonds, amounted to \$900,000 on March 31st. These bonds will be liquidated in nine years at the rate of \$100,000 per year.

Advantages of the Seven Cent Fare:

The seven-cent fare is essential to the success of the purchase plan. It is only by this means that the \$5,500,000 indebtedness can be liquidated within a reasonable period of time.

The five-cent fare is a survival of pre-war days. San Francisco and New York, where the five-cent fare has been subsidized for many years, are the only cities in the United States of major importance where this fare has survived the high costs following the close of the last war. The average fare in the United States is in excess of $8\frac{1}{3}$ cents. The municipal systems in Seattle and Detroit abandoned the five-cent fare years ago. Immediately prior to the outbreak of hostilities on December 7, 1941, the Municipal Railway was barely able to make expenses on the five-cent fare. Analysis of results of the operations of the Municipal Railway in the months immediately preceding Pearl Harbor, indicated the system was barely able to avoid showing a loss on its operations.

Operating costs have shown tremendous advances since that time, including increases in the wages of platform men from the basic 75 cents per hour in 1940-41 to the $97\frac{1}{2}$ cents per hour to be paid after July 1st. This $22\frac{1}{2}$ cent or 30 percent increase means that the cost of conducting transportation alone has increased approximately \$750,000 annually. As the profit of nine months operations represented only \$578,570 out of a total of \$4,909,821 passenger revenue for the nine months period ending March 31st 1944, after deducting bond redemption charges, it is obvious that a shrinkage of from 10 to 15 percent in traffic and revenue would turn operations under the new wage scale from a moderate profit to a deficit. Under these conditions it is unwise to predict continuation of the five-cent fare even under the existing advantageous conditions with competition of a seven-cent fare.

Under the universal five-cent fare, that in 1937 and previous years preceded the present situation, the Market Street Railway handled a much larger percentage of the total passenger load than at present. Redistribution of the passenger load followed successive increases in fares by the Market Street Railway and brought about the present condition in which the city's system is handling an increased proportion of the passenger load. It is logical to assume that if the Municipal Railway should increase its fare without first purchasing the properties of the Market Street Railway, the company would profit by an equalization of the traffic load, whereas, under unification as proposed by this proposition, the additional funds will be used by the city, first, to liquidate the purchase price and second, to provide funds for a reconstruction and rehabilitation fund.

Immediate Service Improvements:

The Manager of Utilities issued a statement setting forth the major service improvements that can be anticipated immediately following con-

solidation. The main feature of these recommendations involves an increase of 222,000 car and coach hours of additional service in the first year before possible acquisition of additional equipment as and when approved by the ODT. The amount of idle equipment, which the Manager of Utilities states will be available, is 67 street cars and between 25 and 30 motor coaches.

The additional service mainly will be distributed by addition of seven street cars on Mission Street, 28 additional street cars on the J, K, L, and N lines, four additional street cars on Sloat Boulevard and Ocean Avenue, 28 street cars to be added as needed to other lines in the order of importance to the war effort and traffic demands and additional motor coaches to be distributed throughout the city to supplement existing service.

The statement issued by the Manager of Utilities indicates that the traffic load on Market Street will be equalized by putting more cars on the inner tracks. This, it is contended, will cut traveling time on Market Street from Second to Eleventh Streets from fourteen down to nine minutes. The Sunset Tunnel will be utilized for faster service on the Nos. 6, 7, and 17 lines by rerouting Nos. 7 and 17 lines through the Sunset Tunnel. A proposed extension of the F line from Stockton and Market to the Southern Pacific depot is also being considered.

Long-Range Improvement Policy:

At the request of a resolution of the Board of Supervisors, the Manager of Utilities laid the ground work for a policy of long-range development of mass transportation in San Francisco. In a statement to the supervisors, the Manager of Utilities reported that the commission will provide the best transportation available within its means as soon as possible and will modernize with new equipment, of a type best suited to the requirements of the particular areas and routes to be served. The Manager of Utilities stated that the widest possible use will be made of the modern motor coaches and trolley buses; that the removal of the two outer tracks on Market Street can be anticipated at the earliest possible date; that the commission does not intend to perpetuate the street car beyond the date when practicable substitutes can be operated; that the commission is not contemplating proposals for subways, elevated railways or other types of grade separation and does not intend to make any such proposals, until, by the employment of modern equipment, the most efficient use is made of the city's street services.

Other statements concerning policy include the retention of the Powell Street Cable line, the immediate purchase of 33 additional motor coaches and 20 additional trolley coaches as soon as priorities can be obtained and, finally, the commission goes on record with the statement that "when consolidation is effected and modern equipment becomes available, the commission will establish the lowest possible fare consistent with good service."

Acceptable Counter-Proposal Fails to Materialize:

Strangely enough, most of the counter-proposals of the opposition to the two previous purchase proposals generally have some form of unification as the basic idea and often included such factors as universal fares and transfers. The proposals have either suggested voluntary cooperation, or, failing that, enforced cooperation by the authority vested in the ODT, so that for the duration, at least, some form of joint management proved to be the core of the majority of such suggestions, with reversion to independent operation after the war.

Most of the arguments against the purchase of the Market Street Railway include the statement that the property is a "lot of junk" and that the city should buy new equipment for the Municipal Railway with the funds instead. This statement ignores the ODT pronouncement that San Francisco would get no priorities for new equipment until by unification, the city utilized existing equipment to the fullest possible extent and ignores the value of intangibles previously mentioned under Value of Properties to be Acquired by the City.

No permanent solution has been produced for long-range development of mass transportation in San Francisco other than the continuation of the present competitive conditions, either until the franchise expires, or until the Municipal Railway has gradually extended competitive service into territories now exclusively served by the Market Street Railway. The latter plan, if it can be called a plan, would entail serious economic and financial loss, both to the taxpayers, who inevitably would be forced to foot part of the bill, and to the street car riders of both systems.

Conclusion:

To sum up, the facts strongly favor the proponents of the unification plan. Immediate acquisition is under-scored by ODT insistence on this course or suffer the alternative, namely, enforcement of recommendations to curtail service, especially in the residential areas. On the other hand, compliance with the unification recommendation may mean some new equipment before the end of the war. Seattle, Oakland and other strategic war areas already have been granted priorities to new equipment. Another factor pointing to immediate acquisition is the extremely high war-time revenue, which can quickly liquidate the purchase obligation without the necessity of issuing revenue or general obligation bonds.

Transportation and city planning engineers, who have studied the San Francisco problem or have been employed by the city for that purpose, have declared unification of the city's street car systems to be the first step towards balanced development and, ultimately, realization of a modern transit system, which is considered a basic requirement for future growth of San Francisco and essential for successful competition in the postwar world with other Pacific Coast cities. Without such a system, the city may lose the race by default.

Charter Amendment No. 2

Military Leaves of Absence

Charter Amendment No. 2 would, if adopted, amend section 153 of the charter, which was amended by vote of the electorate on November 5, 1940, and again on November 3, 1942, for the purpose of providing for military and war effort leaves. This amendment proposes to provide for approval of leaves of absence granted under Rule 31.2 (the rules established by the Civil Service Commission in accordance with existing section 153 for non-military service or war effort service) proposes to make the proposition retroactive to December 16, 1940, to cover leaves heretofore granted and to establish everyone granted military leaves under the three preceding acts on the same basis and with the same rights. These provisions have been included in the proposed amendment of the section in order to establish beyond any doubt the legality of war effort leaves granted city employees under legislation passed by the supervisors under the existing act. The measure would separate military leaves from war effort leaves. Some doubt exists as to the legality of such separation under the present act.

The measure also provides some technical changes in the method of handling the return of any officer or employee of the city and county or member of any eligible list. The language of the amendment is somewhat ambiguous in places and may possibly prove difficult to administer.

The measure also proposes to provide that persons who participate in written civil service examinations and who were unable to complete all parts of the examination by reason of service in the uniformed forces, would acquire standing on eligible lists in accordance with examination ratings, but upon return must complete the remainder of the examinations, including medical and physical examinations.

In general, Proposition No. 2 retains the basic form and principles of the existing measure. Section 153 provides for nine votes of the Board of Supervisors for adoption of the ordinance establishing rules for leaves of absence for war effort leaves. The present measure would change this to allow for the adoption of the ordinance by a majority vote.

The measure was submitted by the American Legion after study and conferences with the Civil Service Commission, whose approval has been given to the proposed legislation. The measure involves little or no additional cost to the city and may clarify certain technical difficulties involved in the existing provision.

Charter Amendment No. 3

Transfer of Disabled Employees

This measure would amend section 156 of the charter by providing for certain changes in the procedure for transfer to other positions of civil service employees who have become incapable through age, accident or other disability, of performing the duties of their positions. The measure primarily is concerned with returning veterans. The measure would provide that any employee who has become incapable of resuming his former position through disability incurred while on active service with the armed forces may, upon application after his discharge from military service, be transferred to another position within his capabilities.

The measure would provide that an employee transferred under the terms of this amendment, shall not be transferred to a position having a higher salary than the one from which he has transferred, nor thereafter be given increases in salary beyond the maximum salary for the classification to which the employee is transferred. The existing provisions of section 156 require that an employee be transferred to a position having a lower compensation than the one from which he is transferred and his compensation shall not thereafter be increased. The change will make it more attractive for disabled employees, especially returning veterans, to be transferred. Employees transferred under the terms of this amendment may, with the recovery of the employee and with the consent of the Civil Service Commission, return to a vacancy in his former classification.

The measure was proposed by the Civil Service Commission for the purpose of providing, in some measure, for disabled veterans of the present war, who would be incapable of performing the duties of such positions as fireman or policeman.

Charter Amendment No. 4

\$25 Per Month Increase For Members of the Fire Department

This proposed charter amendment would provide for an increase of \$300 per year in the compensation of all members of the uniformed forces of the fire department, including the chief engineer and all ranking officers, for the duration of the present war and for six months thereafter.

The measure was presented by representatives of the David Scannell Club, a firemen's organization, on the grounds that because the fire commission had determined a day or two previous not to allow members of the department to accept outside employment and because the men found themselves unable adequately to support their families on their fire department salaries, this increase was being pressed. The measure was not submitted to the fire commission nor has it received their approval.

The commission, on the other hand, has submitted Charter Amendment No. 5, which would allow the commission to pay fire department employees for work on their days off and vacation periods the same rate of pay now paid for the regular period of service. This measure, the commission believes, would not only increase the earnings of the fire department employees but at the same time would be a step towards solution of the department's manpower problem.

The Scannell Club amendment would increase the annual salary rates of firemen from the present range of \$200 to \$225 per month to \$225 to \$250 per month. It would also increase each of the ranking officers \$25 per month, with the captains receiving \$300, battalion chiefs \$400, assistant chiefs \$450, and chief engineer \$650 per month.

Maximum rates paid firemen per month in five major coastal cities are as follows: Los Angeles (with \$20 bonus), \$220; Oakland and Berkeley, \$230 (with bonuses); Portland, \$222; and Seattle, \$200. Above the rank of fireman (truckman, hoseman, etc.), the officers, commencing with lieutenants and up to and including the chief engineer of the department, receive the highest salary of any of the five cities mentioned above.

The members of the fire department, along with members of the police department, received increases of approximately \$25 per month, commencing July 1, 1943, by an amendment adopted by the voters in November 1942. The cost of these increases, plus increased pension costs to present retired members and to future retirements amount to approximately \$900,000 per year. With pension payments, the current measure would increase the cost an additional estimated \$450,000.

Charter Amendment No. 5

Permits Compensating Firemen For Work on Their Days Off and Vacation Periods

This proposed amendment would add section 36.1 to the charter and would authorize the fire commission, when in the commission's judgment, it is in the public interest to allow members of the department to work on their days off and during the regular annual vacation, and would allow the commission to compensate the employees for the time worked by payment of additional compensation on a straight-time basis. The overtime payments would be limited to the unencumbered balances of the annual total salary appropriation for the fiscal year. The amendment would provide at least one day off in seven and such additional time off as may be approved by the fire commission. The measure would continue in effect during the present war and for six months thereafter.

The measure was submitted by the fire commission as a means of securing additional manpower from the ranks of the existing forces and at the same time allow the commission the right to pay these men for the extra work in amounts based on the regular salary rates. The department, according to the President of the Fire Commission, Charles R. Page, is suffering from an acute manpower shortage with little prospect of securing qualified employees within the age limit of 21 to 37 years, or temporary tenure employments of greater age who could not qualify for permanent positions in the department.

No opposition has developed to this measure. Consent of the employees is necessary for the extra work on days off and during vacation which, technically, might be considered as removing the authority of the chief of the department to order the men out during periods of great emergency or general conflagration. This would have little practical effect as only a small part of the total force is away on vacations and on days off at any one time. Any man in the city could be depended upon to respond. The department, in any event, would have available the offshift in times of stress as these men could be depended upon to be in the city on call.

Charter Amendment No. 6

Grants Permission to the Police Commission to Allow Members of the Police Department Extra Compensation For Work on Their Days Off and Vacation Periods

This proposed amendment to the charter would add section 35.5½, which would authorize the police commission when, in its judgment, the public interest required the services of any member of the department to serve in excess of a basic 48 hours, to order such service and to compensate the members for such services on the basis of straight time in accordance with the ratio, which said excess service bears to the basic week of service and the annual compensation, or, in lieu thereof equivalent time off with pay. Extra compensation, calculated on the foregoing basis, would amount to sixteen and two-thirds percent for an extra day per week, or range from \$8.33 to \$9.37 per day for patrolmen.

Under existing provisions of the charter, the commission is unable to compensate members of the department for work on their days off or during their regular vacation periods. Under present conditions the men are granted equivalent time off with pay. The department has experienced difficulties in securing men to fill in for members of the force now on military leave.

The measure would not restrict the police commission's authority to require members of the department to work more than 48 hours a week when public necessity requires such services and to grant equivalent time off for said extra service, instead of added compensation. The measure, for the first time, would establish a 48-hour basic week of service for members of the police department. A 48-hour week has been the customary practice for many years. The measure would not be limited to the duration of the war.

The extra pay is not limited to the surpluses or unencumbered balances that might accrue in the police department salary fund, but sufficient surpluses are anticipated by the commission, because of the shortage of men, to allow the commission sufficient funds to pay for such extra service as the commission may require. In any event, the practical effect would be to confine the department to annual appropriations, unless emergency or supplemental appropriation ordinances requiring concurrence of supervisors and mayor, could be enacted.

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No. 2

State and City Propositions on the November 7th Ballot

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"An incorporated non-partisan citizens' agency to study public business, cooperate with officials and specifically work for economy and efficiency in municipal affairs."

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STATE PROPOSITIONS

Proposition No. 1

Home and Farm Loans to Veterans of World War II

Proposition No. 1 was enacted by the state legislature and has been submitted to the voters in accordance with provisions of the constitution. If approved by the voters, the act will authorize the issuance of \$30,000,000 in bonds for the purpose of creating a fund to provide farm and home loans for veterans of World War II. The administration of the fund will be in the hands of the existing Veterans' Welfare Board and governed by the same rules of conduct as the loans provided by the preceding four bond issues, voted between 1922 and 1934. A total of \$89,544,000 was authorized and loaned to veterans of the first world war.

When the state loans were provided for veterans of the last war, private financing was more difficult to obtain than in the past few years and also more costly. Existing private credit agencies in cooperation with Federal agencies have been providing loans at a moderate cost and a small down payment basis for the home purchaser for the past few years. The veteran may secure a loan without any down payment and at even less cost under the state act. Without additional capital (up to an amount equal to the loan maximum) the veteran may be handicapped in the purchase of a farm, as \$7,500 even in the prewar period, was hardly sufficient to purchase a farm that would be a satisfactory self-supporting unit for a family. It is probable, however, that most of the loans will be utilized in buying homes.

The management of the funds from preceding bond issues is generally considered to have been on a sound financial basis. Reports show that a surplus of \$8,500,000 has accrued with more than half of the loans on homes and farms repaid to date. Under the circumstances it is reasonable to assume that the additional \$30,000,000 will be handled in the same manner and will not eventually become a taxpayers' liability.

Proposition No. 2

Extension of Veterans Taxation Exemption

This proposition amends section 1 $\frac{1}{4}$ of Article XIII of the constitution, extending the present \$1,000 exemption from property taxation of resident veterans to persons who served in the armed forces of the United States in time of peace in a campaign or expedition for service in which a medal has been issued by act of Congress, the Coast Guard service and to persons who, after service with the armed forces of the United States, have continued in such service, or who, in time of war are in such service.

The existing section provides for a \$1,000 property tax exemption for

every resident veteran of the army, navy and marine corps, for service in time of war and who has received an honorable discharge, or the wife or widow of such soldier or sailor, but shall not apply to any person owning property assessed for more than \$5,000. The existing measure is not an equitable one as it is limited to persons having less than \$5,000 in property (but places no limit on ownership where a wife or widow claims exemptions), thereby discriminating against some veterans, but this situation is not changed by the present proposition.

This measure would extend the same rights to residents of California now in the service and they may take advantage of tax exemption privileges while serving in the armed forces prior to their discharge. It is estimated that possibly 500,000 service men and women may be affected, although many will have no property for which to apply for the exemption. The addition of the Coast Guard in the ballot measure does not create a new exemption, as the members of this force have been, in actual practice, extended the same tax exemption privilege as veterans of other services, although not specifically mentioned in the act. This proposed amendment to the constitution changes the intent of the original section, providing exemption for discharged veterans, to include members of the armed forces while still in the service.

Proposition No. 3

Compensation of Certain State Officers

Proposition No. 3 adds section 22 to Article V of the constitution and authorizes the legislature to fix the compensation of the lieutenant governor, controller, secretary of state, superintendent of public instruction, and treasurer. The amendment provides that the legislature may fix the salaries of the foregoing officers at any time, provided that such salaries shall not be less than \$5,000 per year. A measure that was intended to accomplish the same purpose was defeated in November 1942.

The state officers included in this amendment are receiving \$5,000 per year, with the exception of the lieutenant governor, who is receiving \$4,000. These salaries were originally fixed in the constitution more than a quarter of a century ago. A great many changes have occurred. The responsibility and duties of these officers have vastly increased, due to the tremendous growth of the state in the past quarter of a century. Economic conditions and purchasing power of the dollar have changed since the salaries were fixed in the constitution. Other state officials, with no greater responsibilities, are receiving a higher compensation and, in some instances, the subordinates in these officers' own departments are receiving higher salaries than the heads of the department.

Perhaps a direct vote on the salary question should have been attempted,

instead of repeating with a measure similar to the one defeated in 1942, and in order to preserve the principle that important state officers should be removed from potential hazards involved in legislative control of salary fixing powers, but that issue is largely offset by the obvious need for corrective legislation. Without this measure, the salaries of these five state officers will remain at the pre-World War I economic level for at least another two years.

Proposition No. 4

Taxation Exemption of Religious, Hospital and Charitable Organizations

This proposition authorizes the legislature to exempt from taxation any property used exclusively for religious, hospital, or charitable purposes, not conducted for profit and no part of the net earnings of which inures to the benefit of any private shareholder or individual.

Properties used for religious worship are now tax exempt under section 1½ of Article XIII of the constitution and additional legislation for this purpose appears unnecessary. To existing exemptions of religious property, cemeteries, orphanages, colleges, and veterans, would be added properties of community chests, funds of various kinds, foundations or corporations organized and operated for religious, hospital or charitable purposes, but not conducted for profit.

The measure does not define specifically what properties shall be granted tax exemption. The power to determine, within the broad limitations of the proposed amendment, what classifications fall within the meaning of the proposed measure is granted to the legislature. It is impossible to determine from the amendment what properties eventually will be made tax exempt by the legislature. For example, the act probably would allow groups wishing to obtain exemption to do so with slight changes in their organization and probably would not prevent the payment of large salaries as a form of bonus or profit from operations.

From time to time additions have been made to the list of tax exempt property. Various federal agencies hold title to 42 percent of the property in this state, all tax exempt. The exemption of state property, property of local jurisdictions, such as parks, playgrounds, schools, as well as privately owned property such as churches, colleges, and veterans' property, has greatly reduced the remaining property subject to local taxes.

Proposition No. 5

Reinstatement of Public Officers After Military Service

This proposed amendment to the constitution would add section 3.5 to Article XX of the state constitution, and would grant the legislature authority to reinstate, by general law, officers in public office, within the terms for which they are elected, and reinstate public officers and employees who resigned or who resign to serve in the armed forces. The measure will insure the validity of such legislation enacted by the legislature prior to this constitutional amendment. It will affect all officers and employees of county, city, township, district, political subdivision, authority, commission, board, or other public agency in California.

The proposal is in line with the policies of the congressional act of 1940, which provides for the return of veterans to private employment, and is similar to the San Francisco charter, section 153, twice validated by vote of the electorate, which provides for the return of San Francisco public employees now in war services.

Proposition No. 6

Annual Legislative Sessions, State Budget

Proposition No. 6 proposes to amend section 2 and 34 of Article IV of the constitution, authorizes annual sessions of the legislature, instead of biennial, and provides for an annual, instead of a biennial budget. The proposed annual sessions shall commence on the first Monday in March and continue 60 days. The biennial sessions now start on the first Monday after January 1st and are of unlimited duration.

Annual sessions with a deadline set at 60 days, instead of being governed by the volume of business, would result in hasty consideration of pending bills. The proposal also will cause the elimination of the thirty-day recess before final action on pending legislation, which now permits the public time to gain an understanding of the possible effect of such legislation and, if necessary, to act to protect their interests before the measures become law.

The amendment is not considered necessary as far as the budget is concerned. In practice the budgetary process is an administrative function in the State Department of Finance, and the two-year budget has worked out satisfactorily, despite the seeming difficulty involved in the necessity for estimates of probable expenditures and revenues for a two-year period.

The legislatures of only three of the forty-eight states meet annually; others having tried, have abandoned it. The people are relieved from too frequent meddling with state laws and are given a breathing spell of longer duration under the biennial system. If emergencies develop the governor has the authority to call the legislature into special session, but limit its activity to the subjects included in the call. Similar proposals have been submitted to the voters and defeated in the past, most recently in the election of 1942.

Proposition No. 7

Expenses of Members of the Legislature

Proposition No. 7 adds section 23b to Article IV of the constitution, which provides that members of the legislature shall receive their expenses necessarily incurred by them while attending regular, special and extraordinary sessions of the legislature. Payment shall be determined and provided for by joint rules of the senate and assembly, but in no event shall expense allowances exceed the allowances now authorized for other elective state officers.

The legislature passed a statute to this effect at the last session of the legislature which was taken to court for determination. On October 2, 1944 the State Supreme Court ruled that the legislative act, authorizing payment of expenses to members of the California Legislature, was valid.

Proposition No. 8

Validating Tax Deeds

Proposition No. 8 adds section 5 to Article XIII of the constitution and provides that deeds issued by any taxing agency by reason of delinquency of taxes or assessments, shall be presumed valid unless declared invalid by judicial decision in an action commenced within one year after date of deed or effective date of this amendment, whichever is later. Such proceedings may be subject to the provisions of existing sections of the revenue and taxation code or any other appropriate proceeding which may be provided for by the legislature.

Being primarily a regulatory measure, and not affecting state or local revenues, it is not considered in the Bureau's field of activity.

Proposition No. 9

Increased State Funds For Elementary Schools

This is an initiative constitutional amendment which would increase the state's contribution to each county, or city and county, for elementary schools from 100 percent to 166 $\frac{2}{3}$ percent of the entire amount otherwise required to be raised by counties for the support of elementary day and evening schools. It would amend section 15 of Article XIII of the constitution. The measure leaves unchanged the amount to be raised and apportioned to counties for public day and evening secondary and technical schools. The measure will not become operative until July 1, 1945.

The initiative measure provides for an increase in the state's contribution from the existing \$60 to \$80 per pupil in average daily attendance and would freeze this amount permanently into the constitution, requiring another amendment at a future date to provide any change, regardless of possible

changes in economic conditions and the situation of the state's revenue. It is estimated that the increase would add approximately \$15,000,000 a year to the state's bill for education.

Proponents of the measure claim that salaries must be raised in order to secure sufficient teachers and that lack of sufficient taxing margin in some rural school districts curtails their ability to pay sufficient salaries to induce teachers to these areas. Proponents further claim that even in normal times attendance at teachers' colleges and the number of students studying for the teaching profession was falling off, because of the allegedly low compensations paid in this profession.

This argument of the proponents of the measure omits consideration of the fact that the teacher shortage at the present time is due primarily to the war and the demands of war industries and that every business, profession and industry in the state suffers from an employee shortage. The teacher shortage is, not as proponents allege, due to low salaries, (the fact is that teachers in California, and San Francisco in particular, are among the highest paid in the nation) although it is possible in some rural school districts this condition may exist. This is a local problem and should be handled locally, or by creating a state equalization fund. The San Francisco Board of Education has signed up 530 substitute teachers for the 1944-45 school year, in addition to their regular teaching staff. The normal number is around 350, the extra number being substitutes for teachers in the armed forces. This does not mean that this city does not have a teacher shortage, but that it is not a serious problem here.

The property tax relief feature inherent in this proposed measure is, on the basis of historical precedent, largely illusory. For example, the City and County of San Francisco would receive roughly \$750,000 or more per year for the support of schools of elementary grades, which would, if translated into permanent tax relief, amount to a 9 or 10-cent reduction in the tax rate. In this connection the disillusionment taxpayers suffered within a few years following the passage of the Riley-Stewart state tax measure of 1933 should be taken into consideration. San Francisco had a property tax of \$3.96 per \$100 of assessed valuation in the fiscal year 1932-33. The following year this rate was reduced to \$3.48 partly because of wage and salary reductions voted by the people and other economies. The 1933 tax measure became fully effective in 1936-37 and an estimate made at the time the act was adopted indicated that the possible tax reduction under the 1933 amendment might be as much as 80 cents or more in the rate. Actually the tax rate was reduced 28 cents below the rate in effect in 1932-33, prior to the adoption of the 1933 tax amendment. This reduction rapidly disappeared for, by 1938-39, the San Francisco tax rate was 8 cents higher than the rate in 1932-33 or \$4.04 per \$100 of assessed valuation.

The 1933 constitutional amendment also provided for a transfer of school costs from local jurisdictions to the state and about doubled the state's former

contribution. The benefit to the taxpayers was of short duration. School costs have gone consistently upwards in San Francisco year by year until at present the budget for schools is in excess of \$14,000,000 annually. These constant increases have occurred while at the same time the school attendance was falling off. Only recently, in the last year or two, has school attendance shown an upward tendency.

"Freezing" governmental expenses into the constitution is an unsound practice, which, if carried to the extreme, would make the expense of operating government inflexible and not subject to legislative adjustment in periods of economic change or financial stringency. Changes could only be had by the long and difficult process of amending the constitution by vote of the people.

Essentially the same proposal was refused approval by the legislature in 1943. The legislature, after a study of the situation, allowed local jurisdictions an additional \$4,500,000 of state funds. This action was taken after a full public hearing in which proponents and opponents alike were given an opportunity to present their cases. The fact that the legislature, with large existing surpluses in the state treasury, refused to approve the full increase does not add to the measure's attractiveness. This defeat in the legislature led to submission of the proposal to the people by use of the initiative.

Proposition No. 10

Compensation of Officers, Increase During Term

Proposition No. 10 proposes to amend section 5 of Article XI of the constitution by authorizing the legislature, by a two-thirds vote, to suspend existing provisions prohibiting increasing the compensation of county, township or municipal officers during their term of office for the period in which the United States is engaged in war and for one year after the termination of hostilities therein, as proclaimed by the President of the United States.

The adoption of the amendment will not provide increases in salaries for the elective officers of local jurisdictions nor fix the amount or percent of such increases. The measure is an enabling act, which would permit the legislature, by a two-thirds vote of the members of each house, to suspend, for the duration of the war and one year thereafter, the application of the prohibition against increases in salaries of any municipal, county or township officer during his term of office. The language of the amendment is not clear and there is a question that increases granted during the suspense period might be permitted to remain in effect thereafter. Salary adjustments must be made by the regular local or state authorities responsible therefor. Salaries of elective officials in San Francisco are fixed by charter and would require an amendment of the charter.

It is proposed as a war-time measure and in order to provide some relief, particularly in the smaller counties, where conditions may have altered under pressure of war-time and population increases.

Proposition No. 11

Retirement Payments, Gross Income Tax

Proposition No. 11 is an initiative constitutional amendment, which, if adopted, would add Article XXX and would provide \$60 monthly payments beginning July 1, 1945 to citizens having necessary residence qualifications, who are sixty years old or over, or totally or permanently disabled, including those in military service, or blind.

The act defines qualifications of a pensioner as follows: the recipient pensioner must be a citizen of the United States. If a resident of California on or before July 1, 1943, that he has been a legal resident of the State of California for at least five years out of the preceding nine years with one year's residence immediately preceding the date of application, and if a person has taken up residence after July 1, 1943, then it is required that he has been a legal resident of the state for at least ten years out of fifteen immediately preceding the date of application. Pensioners are required to remain in the state and leaving the state for periods in excess of 90 days in any one year means disqualification. Pensioners will continue to receive the annuity so long as they do not engage in any occupation, business or other activity from which profit, wage or other compensation is secured. The act further provides that the pensioner will not support an able-bodied person in idleness, except a husband or wife or children under 18 years of age. The act would not prohibit a pensioner from securing income from interest, rents or other revenues from investments.

3 to 5 Percent Gross Income or Transactions Tax

The proposed constitutional amendment would provide for a three to five percent gross income, or transactions, tax on every income and transaction in the State of California with the exception of non-profit, religious, charitable, scientific or educational organizations. The act provides that out of the total gross income tax receipts, twenty percent, but not to exceed \$100,000,000 per year, will be deposited in the general fund for payment of functions of state government and the public school system, now financed by revenue from the sales tax. The remainder of the gross income or transactions tax receipts will be used to pay \$60 monthly pensions. If the gross income tax produces over \$1,000,000,000 annually, ten percent of the receipts will be turned over to the general fund, in addition to the \$100,000,000 contribution.

Balances remaining in the pension fund after paying the minimum \$60 monthly pension shall be divided equally among the pensioners and paid the following month, in addition to the regular \$60 minimum payment.

The act also provides that if the sum raised by the three percent tax is insufficient to meet \$60 minimum monthly payment the rate can be increased up to the maximum of five percent. The act further provides that each monthly payment shall be spent within thirty days after its receipt. The act

repeals the state's sales and use tax law as of March 1, 1945 and provides that no state tax other than the sales tax is repealed by this amendment.

Tax on Every Transaction Will Have Pyramiding Effect

The three to five percent gross income, or transactions, tax provided by this proposed amendment will replace the existing sales tax but leave in effect all other state taxes, including the income, motor vehicle, gasoline tax, bank, corporation, insurance, beverage, liquor and automobile taxes.

The gross income or transactions tax, sometimes called a turnover tax, would be applicable to all personal incomes without exception and with no exemptions or deductions allowed. The tax would apply to practically every business transaction within the state. This means that the gross income or turnover tax would have a cumulative or pyramiding effect that would greatly increase the cost of every article or transaction within the state. Several transactions are involved, in the normal marketing procedure from producing through processing to retail outlets for food products, to the ultimate consumer. For example, grain such as wheat, produced by the farmer is sold to a grain buyer, who in turn sells it to a miller. The miller transforms the wheat into flour which is purchased by the dealers or the bakers. The bakers transform the flour into bread and it is sold to grocery stores, chain stores, and other retail outlets, where it is purchased by the ultimate consumer. A three or five percent tax on each of these transactions means, inevitably, a substantial increase in the price of bread.

The actual financial result of the cumulative effect of the transactions or turnover tax on the cost of doing business or cost of living in this state is impossible to determine accurately, but that it will be high is certain. Virtually no income or transaction is exempt.

Gross Income Tax Affects Low Income Group

No exemptions are permissible under the proposed act and the tax would fall most heavily on persons with low incomes. The direct cost of the minimum three percent gross income tax is \$30 per \$1,000 of income. To this direct charge against income must be added from three to five applications of the tax on products, from producer to consumer, purchased by the individual.

The three to five percent gross income-transactions-tax will increase not only the cost of living by ten to fifteen percent, but also increase the cost of government, by that amount for materials and supplies. This tax is in addition to all existing "use" taxes. State tax collections in 1943-44 amounted to \$410,500,000, exclusive of the sales tax receipts. Proposition No. 11 would triple all existing tax revenue combined, all of which would be continued.

Serious Consequences Will Follow Adoption

Estimates of the returns from the three percent transactions tax on the basis of existing business volume have been estimated would amount to well

over one billion dollars annually, or about three times the present "use" tax collections, which will all be paid as at present.

The measure is a modification of the so-called "Ham and Eggs" or "Thirty-Thursday" initiative measures, which were defeated by the voters in 1938 and again in 1939. Although on the surface this proposition seems less dangerous than former proposals, the current ballot measure is considered impractical by every financial, fiscal authority consulted.

The present old age relief law now provides \$50 per month to needy persons 65 years of age or older. The number of recipients would be increased enormously with the adoption of this measure. It is estimated a maximum of possibly 1,000,000 persons of 60 years of age or older on the basis of the present population will be affected, with an unknown number of blind and crippled persons. The state would lose between \$43,000,000 and \$45,000,000 annually from the federal government, as the act is not acceptable to the federal government.

The State Welfare Director, in a report to the Governor, stated that the minimum cost of Proposition No. 11 is \$720,000,000 annually, and that this represents \$40,000,000 more than was spent on old age security in the entire United States in the past year.

The measure is a serious menace to the economic welfare of this state and, if upheld by the courts, will bring about economic collapse.

Proposition No. 12

Right of Employment

Proposition No. 12 is an initiative constitutional amendment which would add section 1A to Article I and which declares that every person has the right of employment, free from interference with, or impairment of that right, because the employee does or does not belong to or pay money to a labor organization. The measure also declares that any interference or impairment of said right of employment shall be unlawful and provides that the remedy be by civil action in the superior courts upon complaint of the employee or the district attorney of the county.

This is a regulatory measure and not considered in the Bureau's field of activity, therefore no analysis of the probable effect of the proposal has been made.

CITY PROPOSITIONS

Proposition No. 26

Sewer Bond Issue

The Board of Supervisors has submitted to the voters a proposition to incur a bonded indebtedness of \$12,000,000 for the construction of new sewers, replacement of sewers of insufficient size, replacement of worn-out sewers, sewage treatment works and sewage pumping stations, in San Francisco, together with all the necessary appurtenances and lands that may be required for these purposes.

The proposed issue will be general obligation bonds, requiring a two-thirds favorable vote of all the voters voting on this proposition. The bond legislation does not specify the period of redemption. The maximum possible period is forty years under state law, by which this bond proposal is governed. The term of the bonds, which have been designated as serials, may be fixed either in the bids received from the various financial institutions submitting bids when the issues are offered for sale, or be determined by legislative action.

The city's sewer system has been growing steadily worse, due to many years of neglect dating back to the period immediately following the last war. If annual budget appropriations of sufficient size had been provided for constant reconstruction and replacement of worn-out sewers and sewers of insufficient capacity, this large bond issue would not have been necessary. Only after repeated failures of previous bond proposals were appropriations of any consequence provided for sewer reconstruction. On the recommendation of the San Francisco Municipal Conference and this Bureau, five cents was set up in the tax rate in 1941, which was to be continued indefinitely until the city caught up in its sewer reconstruction requirements. This year the administration, recognizing the need for sewer reconstruction and the extension of main sewers to districts not now served, included the sum of \$1,495,000 in the budget for such purposes.

Sewer bond proposals appeared on the ballot November 2, 1937, when a proposed \$5,000,000 bond issue was voted down by the electorate. Another attempt was made to authorize bonds for sewer reconstruction and replacement purposes with the submission of a \$4,200,000 bond issue at the November 27, 1938 special election, which was not approved by the voters.

The attempt to determine the full extent of the requirements for sewage disposal plants and sewer reconstruction and replacement was started by an engineering survey under the auspices of the Department of Public Works, following the defeat of the \$4,200,000 sewer bond proposal. The report was submitted in 1940, which set forth the necessity for an expenditure of \$18,700,000 in the ensuing twenty or twenty-five year period for both sewage

disposal plants, pumping stations, enlargement of existing sewers, replacement of worn-out sewers, and the reconstruction of all trunk or main sewers.

This engineering survey and report was brought up to date in recent months to conform to the present cost basis and requirements of the sewage disposal system, and indicates an over-all expenditure of approximately \$26,000,000 in the next 20 or 25 years.

The \$12,000,000 sewer bond proposal, as incorporated in Proposition No. 26 on the ballot, will provide sufficient funds for major reconstruction and extension of main or trunk sewers to districts not now served, and commence the program of sewage disposal and treatment necessary to rid the bay area surrounding San Francisco of pollution. Under present conditions, few, if any, of San Francisco's beaches are entirely free from sewage pollution and are generally unsafe for swimming and bathing. Sewage treatment plants will be required for the North Point outfall sewer, in the Richmond and Sunset districts, and possibly other locations, such as the Islais Creek and Visitation Valley districts. Not very much work of this nature can be anticipated from this bond issue.

Although the bond legislation does not specify individual projects or their location, the factors determined by engineering study to be made after the bond issue is authorized will determine the extent and location of the improvements planned under this issue. According to data received from the chief administrative officer, the projects will be pretty well distributed throughout the city and fairly evenly divided between new sewer and enlargement projects. Sewage treatment probably will be provided for the Merced Lake area home development, expansion of the Richmond-Sunset treatment plant and a start made on the most extensive of the sewage treatment problems at Pier 37 and the North Point outfall sewer.

Proposition No. 27

Juvenile Detention Home Construction Bonds

A general obligation bond issue in the amount of \$1,250,000 has been submitted to the voters to provide for the construction of a building or buildings to house the juvenile detention home, court rooms, meeting rooms, and for administration offices.

The proposed bond issue followed recommendations of a citizens' committee appointed by the Mayor, with Philip F. Landis as chairman. The committee's proposal followed a survey of existing conditions and an examination of the juvenile detention home building at 150 Otis Street. The committee's report indicated that the present building was unable to provide necessary space, not only for the enhanced burden placed upon these facilities by the influx of a great wartime population to this city, but the normal growth of the problem since the building was constructed in 1915-17.

There appears to be little doubt that new quarters are desirable for the

juvenile detention home and related functions, with the amount subject to future determination within the total authorized by the ballot proposition. The general plan being considered by the committee involves the purchase of possibly a block or more of land somewhere in the South of Market area, the construction of one or more buildings, to provide for the various functions handling juvenile problems. If sufficient area can be secured it is planned to provide the so-called separate unit plan of separate buildings for the delinquent, and the non-delinquent juvenile, the court rooms, and administrative functions, with however, access to a single service building.

The average number of children admitted to the home per day has risen from 3.7 in 1941 to 8.4 so far this year. These children stay five or six days on the average. Since the Laguna Honda Home opened in February of this year, 136 children have been admitted, the average population being 15.

The Laguna Honda Children's Home is maintained to afford a partial segregation for the non-delinquent children and to reduce the crowded conditions at the detention home. Yearly operating cost is estimated at \$22,000 and requires a staff of seven. There should be some economy of operation in housing related units at one location.

Originally the finance committee of the Board of Supervisors recommended to the board the submission of a bond issue totaling \$1,500,000. Following representation by this Bureau, that justification for a new juvenile detention home had been established, but the necessity for \$1,500,000 had not, brought about a compromise.

As the actual amount necessary to do the job was not definitely known when the bond issue was submitted to the voters, the issue was made large enough so as to cover all contingencies. It is hardly necessary to add that adequate buildings should be provided without, however, providing a monument to juvenile delinquency.

This is, in effect, a short-term loan with probable interest rates as low as four-tenths of one percent and one-half of one percent under present bond market conditions. It is, for all practical purposes, pay-as-you-go, as the added cost for interest probably will not exceed \$18,000 and may possibly be as low as \$12,500. Redemption will start with \$450,000 one year from the date of the issue, with \$400,000 redeemed in each of the two succeeding years.

The present structure is a nine-story affair, 30 feet wide and 110 feet deep. The present site provides a paved courtyard for an outdoor recreation area of small dimensions, being 75 feet by 75 feet in size, with short periods necessarily allotted to the various groups held at the home. No play facilities of any kind are available. A large proportion of the children passing through the juvenile court are not charged with any offense, but have become wards due to circumstances beyond their control. Many of the children of all ages are the victims of broken homes or desertions by a parent. Punishment is not involved in the handling of these children.

The ballot proposal will provide for better segregation of the vicious from the merely unfortunate, will provide decent quarters, and sufficient space to provide healthful outdoor exercise.

Proposition No. 28

Provisions of Pension System To Be Set Aside For Duration

This proposition provides for an amendment of section 163 of the charter by making certain provisions inoperative during the present war and for a period of six months thereafter.

The provisions, which would become inoperative during the war period and for six months thereafter, now provide that if any retired person, except those retired prior to January 8, 1932 and persons retired because of disability incurred in line of duty, should engage in a gainful occupation prior to reaching 62 years of age, the retirement board shall reduce that part of his monthly pension which is contributed by the city to an amount which, when added to the monthly earnings of the pensioner, will not exceed the compensation paid the pensioner by the city prior to his retirement.

The war period is defined as "the existing war between the United States and the Axis Powers and for six months after the termination of said war." As in the case of similar attempts to define the war period in charter legislation, there would appear to be some question as to the adequacy of this definition. The effectiveness of the measure until the termination of the war with the axis powers, if held to mean when a peace treaty is signed with all axis powers, might be of long duration. Cessation of active hostilities or the presidential declaration that the national emergency is ended might have been easier to determine.

The penalty of a reduced pension provided by section 163 was to discourage early retirements, to discourage pensioners from accepting employment after retirement from the city's service, and to prevent pensioners from competing with private citizens under less favorable conditions.

The manpower shortage was given as the reason for submitting this measure. Approximately 50 pensioners are now having deductions made in their pension allowances. These deductions amount to \$1,850 per month or about \$22,000 per year. It was claimed that others of this group of pensioners were reluctant to accept employment under existing conditions, as reduced earnings made it unattractive. The retirement board reports there are 345 retired persons subject to provisions of section 163.

There is no apparent extra cost to the City and County involved. How many more may take advantage of the situation, if this measure is adopted, is not known, but the number is not expected greatly to exceed the present figure. Whether or not the measure might be an inducement to eligibles to retire more quickly than otherwise, especially, if the period appears to be of lengthy duration, cannot be ascertained at this time.

Proposition No. 29

Providing Superintendent of Schools With a Non-Civil Service Confidential Secretary

This proposition would amend section 136 of the charter by adding to the powers of the superintendent of schools the right to appoint a confidential secretary exclusive of the civil service provisions of the charter, who shall serve at the pleasure of the superintendent.

The amendment was submitted at the request of the superintendent of schools with the concurrence of the Board of Education. The superintendent, in support of the measure, held that an executive of a large and important department should have the privilege of selecting one confidential employee upon whose discretion and personal loyalty the executive could depend.

The charter provides for few non-civil service appointments. The few excluded from civil service involve the executives of several large departments, and a few executive secretaries of various boards and commissions, the mayor, in addition to legal, medical and expert technical employees, the latter of a temporary nature. The opposition from certain municipal employee groups on the grounds that it is a step backwards to the spoils system is a little far-fetched. The school department spends 14 million dollars annually and employs 3,500 employees. All non-teaching positions, with the exception of the secretary of the board, are under civil service.

Proposition No. 30

Extending Civil Service Provisions to Include Steinhart Aquarium Employees

This proposition proposes to amend section 52 of the charter by extending civil service provisions of the charter to include all of the positions in the Steinhart Aquarium, exclusive of the positions of director, secretary of the board of directors, curators, and other scientific and professional personnel, or part-time positions for which a compensation of less than \$80 per month is provided. The incumbents of the positions to be made subject to civil service who have held such positions continuously for one year prior to the ratification of this amendment shall continue to hold the position under civil service. Sixteen or seventeen employees are affected.

When this measure was presented by the representatives of the Steinhart Aquarium employees before the supervisors, counsel for the California Academy of Sciences board raised the question as to the possible legality of this proposed measure, on the grounds that the California Academy of Sciences was not a city and county agency, but a private group who had been selected under the Steinhart gift to manage the aquarium, and that the conditions

provided in the deed of trust might be affected. The measure was originally pressed by union representatives of stationary steam engineers employed by the aquarium, in order to provide greater security and larger salaries, as the city is generally understood to have a higher scale than the aquarium now pays.

The city contributes \$46,750 in the 1944-45 budget, and \$9,510 to Simson African Hall. The California Academy of Sciences, under present charter conditions, controls the expenditure of this money, hires and fires all employees and fixes the rates of pay.

This proposition has been one of a series of proposals, all of which have been voted by the electorate, which had for their purpose the "blanketing in" of non-civil service employees in those departments which were exempt when the charter was drafted by the Board of Freeholders. Two years ago, at the November 1942 election, civil service status was extended to employees of the museums. At the November 5, 1940 election, civil service status was given positions in the park department and the public library, their occupants being blanketed in under these measures in the same manner set forth in the present amendment.

It has been the Bureau's traditional policy to favor the extension of civil service status to all departments of the City and County, provided such action was in the best interests of the departments and employees. In this instance, the likelihood of serious legal complications arising out of the adoption of the measure, which might seriously jeopardize the gift to the city, appears reasonably remote. On the other hand, the proposal could have been turned over to the mayor's charter revision committee for clarification, as no sound reason has been advanced for the necessity of immediate action at this election. The aquarium employees have been excluded from civil service since the founding of the institution.

Proposition No. 31

Recreation Department

This proposition would fix the term of office of the members of the recreation commission, appointed by the mayor, definitely at four years. This section of the charter was amended in November 1942, by an amendment submitted at the last day possible for the submission of charter amendments to the voters, and, apparently being hastily drawn, omitted fixing a definite term for members of the commission appointed by the mayor.

The measure will provide a definite date for the terms of office of the recreation commissioners so as to eliminate any question as to the terms of future appointments.

Proposition No. 32

Extending Civil Service to Employees of the City Attorney and Public Defender's Office

This charter amendment, adding section 34.1 to the charter, will, if adopted, extend civil service provisions of the charter to include employees in the offices of city attorney and public defender, except attorneys. It will also provide that all incumbents in those positions on the effective date of this measure who have been continuously employed for one year immediately preceding ratification shall be continued in their respective positions.

An argument advanced against this measure was based on the contention that the positions, in reality, represented the personal legal stenographer-secretaries of the several attorneys employed in these offices as well as the elected officials with few exceptions, and that the attorneys should be allowed to select their own personal legal stenographer. The theory that an executive should be allowed the selection of one personal employee without restriction is involved in Proposition No. 29.

The ten employees of these two offices are now subject to the salary standardization provisions of the charter. Extension of the civil service provisions to include the employees of these two elective offices means no additional cost to the city.

In general, it has been the accepted practice in San Francisco and in other jurisdictions, with the extension of civil service to include new positions heretofore exempt, to extend civil service status to the incumbents in such positions, provided the incumbents have had a certain period of service, usually one year, prior to the effective date of the measure.

Proposition No. 33

Reinstatement of and Leaves of Absence For Members of the American Red Cross

Proposition No. 33 would add section 153.1 to the charter and would provide for the reinstatement in their respective positions of officers and employees of the City and County, and the Unified School District, who have resigned or relinquished their positions to enter the service of the American Red Cross as social service workers, field directors, or assistant field directors, during the existing war. It also would provide that employees shall be granted leaves of absence during the existing war, in order to serve with the American Red Cross, as social service worker, field director, or assistant field director.

The employees affected by this measure would be entitled to the rights and privileges accorded other officers and employees of the City and County who have been granted military leaves, under the provisions of section 153, as amended at the May 16, 1944 election. Under the terms of the proposed measure, the rights and privileges granted by the charter amendment will

expire two years after the end of the present war between the United States and the axis powers, and further provides that any employee who fails to seek reinstatement within the time limits prescribed for persons on military leaves, as defined in section 153, and under the rules of the Civil Service Commission, shall not be entitled to reinstatement.

As in the case of other charter measures attempting to define the war period, the definition is somewhat ambiguous. In this instance, the effective period is defined as the end of the present war and two years thereafter. The end of active hostilities may come long before official ending of the state of war with all of the axis powers. Section 153 provides that leaves of absence shall be granted in time of war and for such time thereafter as may be provided by rule of the Civil Service Commission, but not to exceed two years after the proclamation of peace, except in case of disability incurred while on active service with the armed forces or the merchant marine, when such disability shall extend beyond such period.

Some twelve to fifteen employees, almost entirely from the Public Welfare Department social service worker classification, are at present affected by the reinstatement provision of this proposed charter amendment. The Public Welfare Commission ruled, when these employees sought leave to serve in the American Red Cross, that such service could not be interpreted as coming under military or war service leaves as defined by section 153 of the charter, and therefore, refused to grant these employees leaves of absence.

A dozen employees resigned and entered the Red Cross service. Following the death of a member of this group on overseas duty, a movement started, principally among the fellow workers of the employees who had resigned to accept service with the American Red Cross, to secure this amendment, in order to provide reinstatement for their fellow workers. How many more will take advantage of the situation in the future, is, of course, impossible to determine in advance.

There is no additional cost involved to the city nor, as far as can be determined, does it affect the city's employment policies, or establish a precedent. The war and military leave provisions, section 153 of the charter, already provide for most situations that might arise. A number of replacements now serving in the place of the employees who resigned to serve with the Red Cross have been employed under the temporary tenure provisions of the charter, wherein their services will be discontinued with the end of the war. The Public Welfare Commission has taken no stand in this matter.

Proposition No. 34

Police Pensions

Proposition No. 34 would add section 168.1 to the charter, providing for revised pension privileges for members of the police department. The principal features of the measure include a reduction in the mandatory retirement

age from the existing 70 years to 65 years, by reducing the retirement age one year in each of the succeeding years until the retirement age of 65 will become effective after June 30, 1950; provides for optional retirement, with the usual fifty percent allowance of a member who completes at least 30 years of service, or at least 25 years of service, and has attained the age of 55; (present optional retirement age is 62) and, further would provide that the members of the system shall pay one-third of the annual retirement service allowance contribution.

A number of minor changes include computation of the pension or retirement allowance on the basis of the salary paid the member during the last three years of service instead of the preceding ten years; provides for an increase in excess of the fifty percent retirement allowance of one and two-thirds percent per annum for each year of service in excess of the optional retirement period, prior to attaining age 60 and, if the wife remarries after death of the member before or after retirement as a result of a service disability, the pension will continue to be paid to any surviving children under the age of eighteen years.

The history of the police department pension revision struggle dates back almost to the effective date of the present charter in 1932. Under the terms of the present charter, all members entering the service of the police department after January 8, 1932 became members of the miscellaneous employees retirement system under terms of section 168. The charter also provided that members in the department prior to January 8, 1932 might transfer to the miscellaneous employees retirement system. This right was extended by charter amendment and a large number of the members of the department took advantage of that alternative. There are 250 members remaining under the old charter provisions, wherein the member pays a flat contribution of \$2 per month, the city paying the balance.

In 1938 members of both the police and fire departments submitted proposed changes in the pension systems, which were defeated by the voters. The police pension proposal provided for continuation of payment of the pension to the widow for service alone and other costly features, which increased the annual cost for prior and future service to 34.7 percent of the annual payroll. Application of this pension cost to the present payroll would mean, without any adjustment for changed conditions, such as the greater age of the group involved, an estimated annual cost in excess of \$1,300,000 in 1937-38, and that after such adjustment perhaps would result in an estimated cost of approximately \$1,500,000 under present conditions in 1944-45.

Following the defeat of the two pension proposals in 1938, the San Francisco Municipal Conference in a letter to the members of the two departments involved suggested that they sit down with the taxpaying groups and attempt to work out an equitable proposal, which would be acceptable to those who pay the bills, namely the taxpayers, as well as the members of the group to be benefited by the changes. Members of the police department accepted this

suggestion and during the intervening years have agreed to several compromises, none of which however met with the final approval of all parties concerned. However, during the past year members of the Police Officers Association met with representatives of the conference and by a series of compromises the basic conditions were set forth, which have been incorporated in the present ballot measure.

The basic principles underlying the compromise proposal set up by the Municipal Conference, as represented by Proposition No. 34, involved the type and character of service required of members of the police department as compared with ordinary services in the city and county government. The compromise proposal, which granted greater benefits to members of the police department than the miscellaneous employees of the city and county, was based upon the premise that service in the police department was of a semi-military character requiring the membership to respond, often for extensive periods, to calls for extraordinary service in times of stress and trouble, to do whatever is necessary to insure protection to life and property regardless of personal safety and hazards involved. Although it is true that the city provides for occupational disability and death, and the normal service of an average officer is not often interrupted by such extraordinary service requirements, it was felt that the necessity to stand by for such potential service, in conjunction with the 48 hour work-week, many years service on night shifts before securing a day shift, tended to set this group apart from the balance of the city and county employees covered by the miscellaneous employees retirement system.

Estimated Cost Based on Actuarial Study

An actuarial study and report, prepared in accord with charter provisions, which requires the supervisors to secure such a report before any changes in the pension system may be submitted to the electors, indicates that on the basis of the present membership of 1,342 and an annual payroll cost of \$3,751,932 the city will contribute \$450,252 as the annual contribution in 1944-45 for future service retirement requirements. This compares with the present retirement contribution of \$114,059, indicating an increase for future service of \$336,193. The actuarial report states that contributions of the city will decrease year by year after 1944-45 as present members of the department leave the service, to be replaced by younger men.

The members of the proposed pension system will contribute, during the same period, \$226,977, for future service retirement allowances. The over-all cost of the present plan, including occupational ordinary disability and death benefit allowances and all prior service liabilities, which have been prorated on the basis of thirty equal annual installments, will bring the total over-all cost to \$967,781 for 1944-45. The present cost is \$445,418. These figures are comparable with the policemen's own proposal, voted down in 1938, and

brought up to date on the basis of present payroll and department strength to an estimated total cost of approximately \$1,500,000.

The city faces, in the first years of the operation of the new provisions, the highest potential cost, and, as indicated by the actuarial report, the annual cost to the city will decrease in the years immediately ahead, due to retirements of the older members of the department. This means that the taxpayers, instead of being saddled with a growing obligation, will find this obligation constantly decreasing to a lower level. The liquidation of the \$6,812,853 accumulated potential prior service obligations for older members will mean that the arbitrary \$347,586 annual cost will be wiped out in addition to constant reductions due to retirements of the group of older members now in the department.

Members' Contributions

The actuarial report states that the contributions per \$100 of salary per month will vary from \$4.81 at entry age of 25 (retirement at 55) to \$6.18 at entry age 30 (retirement at age 55) for persons entering the service after June 30, 1942. For persons already in the service at that time contributions per \$100 of salary per month will vary from \$4.88 at entry age 26 to \$8.19 at entry age 54. The members' contributions will amount to slightly in excess of an average of six percent per annum of the annual payroll in comparison with 26 percent contributed by the city to liquidate all costs of the system in 1944-45, or approximately 12 percent for the first cost of future retirement allowance to be paid by the city, which will decrease year by year after 1944-45, according to the actuarial report.

Police Commission's Attitude

The police commission has unanimously endorsed the police pension proposal, Proposition No. 34. Previous police commissions have recommended lowering the age of retirement in order to build up a younger and more active police force. It has been the consensus of past police commissions, as well as the recommendation of the present commission, after a thorough knowledge of the operations of the department, that the 70 year mandatory retirement age was too high for the type of service demanded from a police force. By reduction of the mandatory retirement age to 65 years and the optional retirement period to 30 years, or 25 years at age 55, the commission says it will be able to build up an active and vigorous police force able to cope with the problems of the postwar era.

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